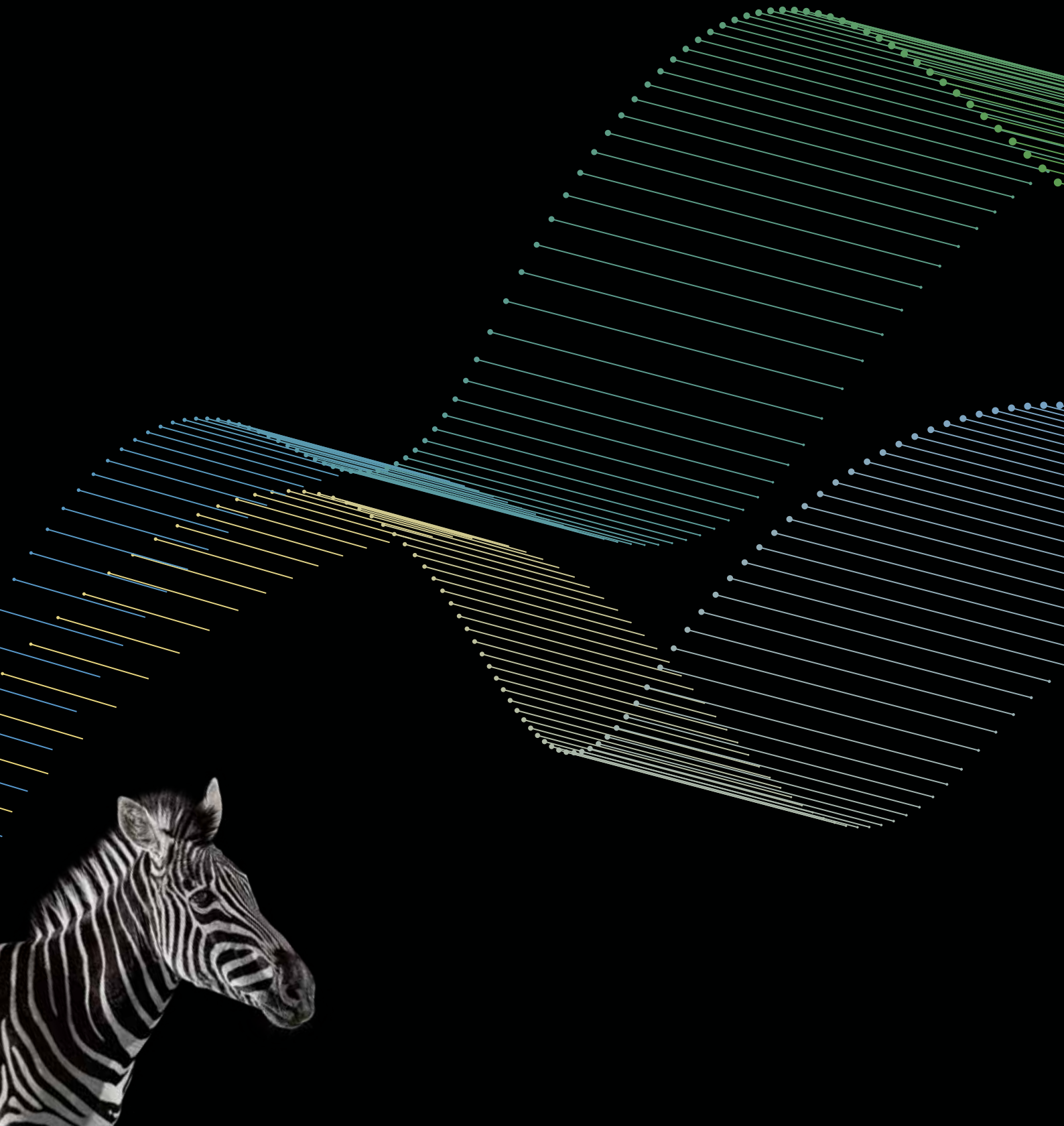
Investec

ANNUAL REPORT 2020

Investec Limited group and company annual financial statements



Cross reference tools

AUDITED INFORMATION
Denotes information in the risk and remuneration reports that forms part of the group's audited annual financial statements

ALTERNATIVE PERFORMANCE MEASURES
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information. These measures are highlighted with the symbol
The description of alternative performance measures and their calculation is provided in the alternative performance measures section.

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

SUSTAINABILITY
Refers readers to further information in our 2020 group sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

CONTENTS

1

OPERATIONAL AND STRATEGIC OVERVIEW

One Investec

We strive to be a distinctive bank and investment manager, driven by commitment to our core philosophies and values.

Our long-term commitment is to One Investec; a client-focused strategy where, irrespective of specialisation or geography, we commit to offering our clients the full breadth and scale of our products and services.

We are focused on delivering profitable, impactful and sustainable solutions to our clients.

To deliver on One Investec, we will focus on imperative collaboration between the Banking and Wealth & Investment businesses and continue to invest in and support these franchises. This will position Investec for sustainable long-term growth.

Our long-term strategic focus:

- We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and to contributing meaningfully to our people, communities and the planet
- All relevant Investec resources and services are on offer in every single client transaction
- Sustain our distinctive, out of the ordinary culture, entrepreneurial spirit and freedom to operate, with the discipline and obligation to do things properly for the whole of Investec.

Investec Distinction

CLIENT FOCUSED APPROACH

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-tech, high-touch approach
- High level of service by being nimble, flexible and innovative.

SPECIALISED STRATEGY

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

SUSTAINABLE BUSINESS

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long-term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

STRONG CULTURE

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

OUR STRATEGIC OBJECTIVES

In order to deliver on our strategy, we have identified five key strategic objectives outlined below:

THESE WILL ENABLE US TO SIMPLIFY, FOCUS AND GROW THE BUSINESS WITH DISCIPLINE.

Capital discipline

A more disciplined approach to capital allocation, particularly where businesses are non-core to overall long-term growth and capital strategy

Growth initiatives

Focus on growing our client base and building new sources of revenue

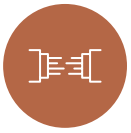
Improved cost management

Heightened rigour in identifying efficiencies in all areas of the business

Digitalisation

Enhancing digital capabilities to continue delivering an advanced high-tech, high-touch proposition

Greater Connectivity



Enhancing links among and between the Banking and Wealth & Investment businesses, across geographies

We are a domestically relevant, internationally connected banking and wealth & investment group

2
core areas of activity

4 400+
employees

R288.9 billion
Core loans

R375.5 billion
Customer deposits

R255.9 billion
Third party FUM

Corporate / Institutional / Government / Intermediary	Private client (HNW / high income) / charities / trusts
Specialist Banking	**Wealth & Investment**
Lending	Discretionary wealth management
Transactional banking	Investment advisory services
Treasury solutions	Financial planning
Advisory	Stockbroking / execution only
Investment activities	
Deposit raising activities	

We have market-leading distinctive client franchises

We provide a high level of client service enabled by advanced digital platforms

We are a people business backed by our out of the ordinary culture, and entrepreneurial spirit

Operating structure

Investec Limited which houses our Southern African operations, has been listed in South Africa since 1986.

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

In terms of the DLC structure, Investec Limited is the holding company of our businesses in Southern Africa and Investec plc is the holding company of our non-Southern African businesses.

Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) (since 1986) and Investec plc is listed on the LSE (since 2002).

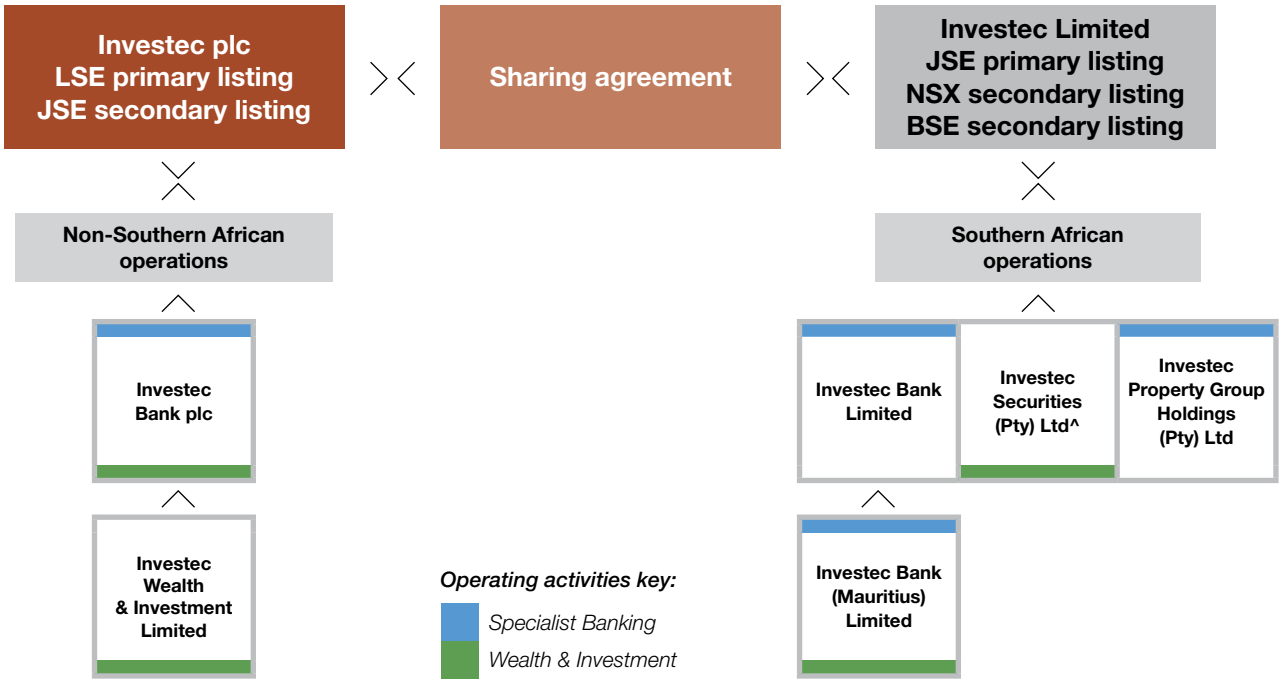
In March 2020, the Asset Management business was demerged and separately listed as Ninety One plc on the LSE and Ninety One Limited on the JSE.

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

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

Further information on the demerger can be found on our website

The DLC structure and main operating subsidiaries at 31 March 2020



^ *Houses the Wealth & Investment business.*

All shareholdings in the ordinary share capital of the subsidiaries shown are 100%.

In March 2020, Investec completed the demerger and separate listing of Ninety One (formerly known as Investec Asset Management). The Investec group retained a 25% shareholding in the Ninety One group, with 16% held through Investec plc and 9% held through Investec Limited.

Salient features of the DLC structure

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

SUMMARY OF THE DEMERGER OF INVESTEC ASSET MANAGEMENT

1

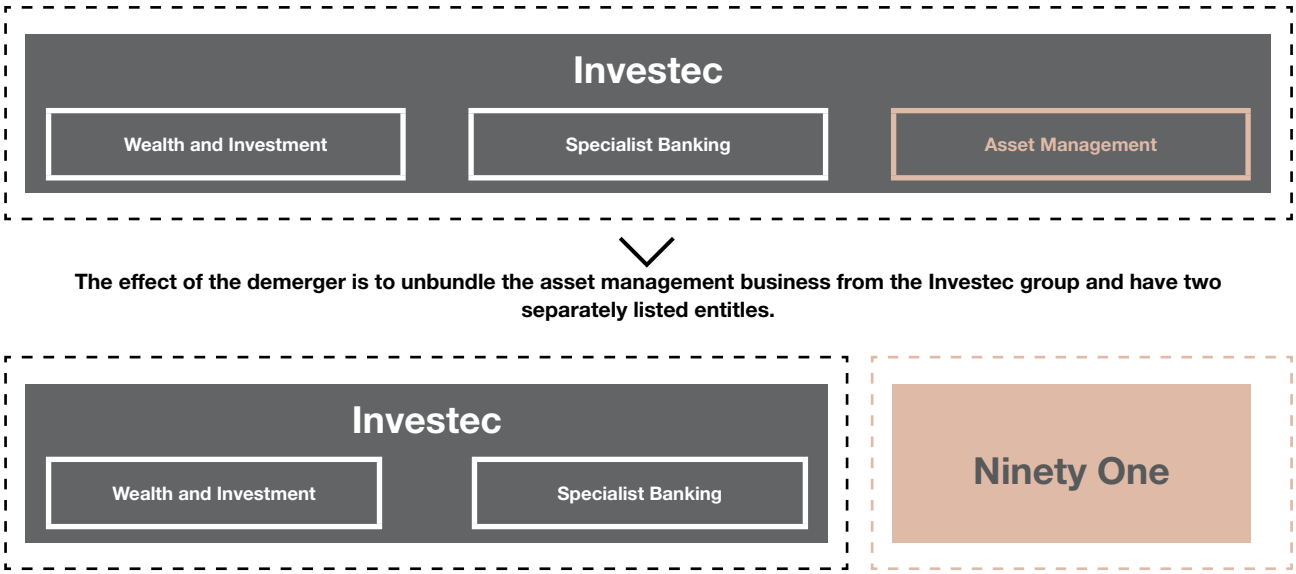
Following the Investec group's management succession announcement in February 2018, the Investec board, together with the executive team, conducted a comprehensive strategic review to ensure that the **Investec group is well positioned to serve the long-term interests of its stakeholders.**

Conclusions from the strategic review

- Investec group comprises a number of successful businesses operating across two core geographies, with different capital requirements and growth trajectories
- Compelling current and potential linkages between the Specialist Banking and Wealth & Investment businesses (clear geographic and client overlap)
- Limited synergies between these businesses and Investec Asset Management.

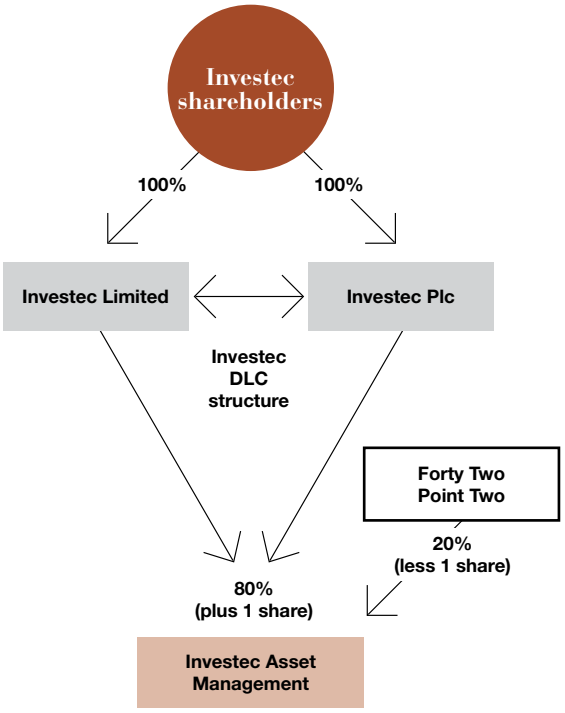
The board concluded that a demerger and separate listing of Investec Asset Management would **simplify the Investec group** and allow both businesses to **focus on their respective growth trajectories;** resulting in **improved resource allocation, better operational performance and higher long-term growth.**

On 13 March 2020, the Investec group **successfully completed the demerger of its asset management business (Investec Asset Management),** which became separately listed as Ninety One on 16 March 2020.

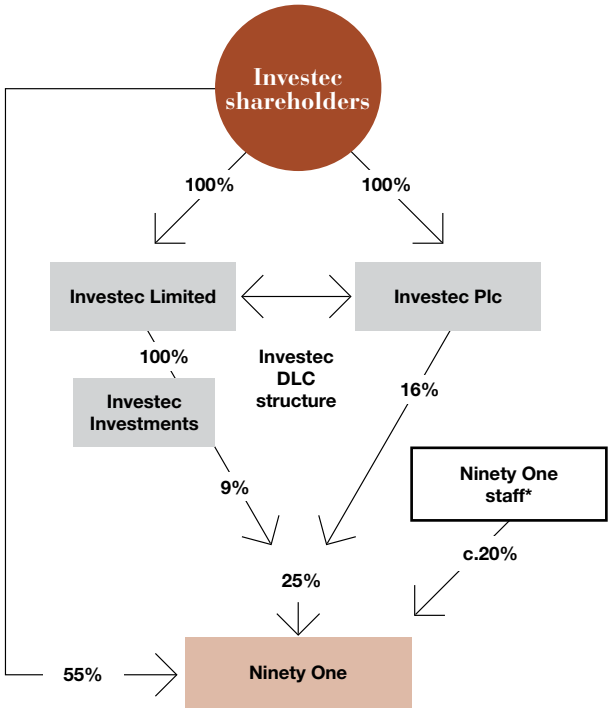


- Prior to the demerger, the Investec group had an 80% shareholding in Investec Asset Management
- Pursuant to the demerger transaction, Investec group distributed 55% of Ninety One to existing Investec shareholders. **Shareholders received one Ninety One share for every two Investec shares held**
- Investec group decided not to proceed with its intended sell down of a 10% stake in Ninety One given market volatility at the time of Ninety One's listing
- Therefore, Investec group **retained a 25% shareholding in Ninety One**. As a founding shareholder of Ninety One, the Boards of both Investec and Ninety One believe that it is appropriate for Investec 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 Investec to participate in future value creation by Ninety One
- Investec's entire holding of Ninety One shares is subject to a lock up period of 180 days from the date of Ninety One's listing
- Approximately 20% of Ninety One continues to be held by Ninety One staff through Forty Two Point Two (the investment vehicle through which management and directors of Ninety One participate in the business), as well as Ninety One's employee benefit trusts.

PRE DEMERGER STRUCTURE:



POST DEMERGER STRUCTURE:



* *Consisting of Forty Two Point Two and Ninety One's employee benefit trusts*

Summary of financial impact

- Positive CET1 impact: Investec plc CET1 uplift of 0.59% and Investec Limited CET1 uplift of 0.40%
- Combined dividend capacity of Investec group and Ninety One is unchanged as a result of the demerger
- The transaction resulted in a net gain for Investec group of R15 145 million post taxation and transaction costs (of which R5 604 million gain is attributable to Investec Limited)
- Investec group accounting treatment: In FY2020, the results of the Ninety One group have been consolidated up to the effective date of the demerger (13 March 2020) and presented as discontinued operations. Thereafter, the retained 25% stake in the Ninety One group has been accounted for as an investment in associate and equity accounted within the earnings from continuing operations.
- Investec Limited accounting treatment: In FY2020, the results of Ninety One Limited have been consolidated up to the effective date of the demerger (13 March 2020) and presented as discontinued operations. Thereafter the retained 9% stake in the Ninety One group has been accounted for as an investment held at fair value through OCI from continuing operations.

Further financial information on discontinued operations is provided on pages 248 to 249

Demerger transaction documents

The **Demerger Circular** as well as all published documents and announcements related to the demerger can be found on the Investec group's website.

Demerger timeline of events:

- Announcement of demerger: 14 September 2018
- Publication of Shareholder Circular: 29 November 2019
- Publication of Ninety One Registration Document: 31 January 2020
- General and Court Meetings: 10 February 2020 (resolutions passed with a 98% majority)
- Publication of Ninety One Prospectus: 2 March 2020
- Effective date of the demerger: 13 March 2020
- Admission of Ninety One Shares to LSE and JSE: 16 March 2020.

Investec Limited operates as a specialist bank and wealth manager

Specialist Banking

Our specialist teams are well positioned to provide solutions to meet private, business, corporate and institutional clients' needs

Each business provides specialised products and services to defined target markets

What makes us distinct?

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

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

Natural linkages between the private client and corporate business

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

Wealth & Investment

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes. Investec Wealth & Investment is one of the largest managers of private wealth in South Africa.

We manage approximately R986 billion assets globally, with R252.4 billion managed by our South African business.

Investec has established investment operations in the United Kingdom, Switzerland, Mauritius and South Africa, offering our clients a deep understanding of developed and emerging markets.

What makes us distinct?

- Built via the acquisition and integration of businesses and organic growth over a long period of time
- Established platform in South Africa
- Distinct distribution channels: direct, intermediaries, charities, international and digital
- Ability to leverage off our unique group offering which allows clients to invest and bank locally and offshore, all in One Place™
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

Our offering is built on the foundation of enduring client relationships with our dedicated investment managers. We partner with our clients in the active management of their wealth, based on an understanding of their investment needs. We have a rigorous approach to investments, ensuring the optimal allocation of our clients' funds, both locally and internationally.

We have a responsibility to preserve and grow the wealth that is entrusted to us over the long-term. Sustainability is core to our fundamental investment approach by integrating environmental, social and governance considerations as well as actively engaging with the businesses that we invest in on behalf of our clients. Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society.

Our service offering

Investec Wealth & Investment operates from eight offices across South Africa and provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts.

Where we operate

South Africa

Established a presence in 1974

Strong brand and positioning

Top wealth manager with the ability to leverage off the global platform

Fifth largest bank by assets

Leading position in corporate, institutional and private client banking activities

Mauritius

Established a presence 1997

Focus on corporate, institutional and private client banking activities

Further developing the Wealth & Investment capability in Mauritius

Our client franchises showed resilience

Adjusted operating profit◇ decreased 9.1%

R5 265 million

(2019: R5 793 million)

Headline earnings attributable to ordinary shareholders decreased 20.6%

R3 934 million

(2019: R4 955 million)

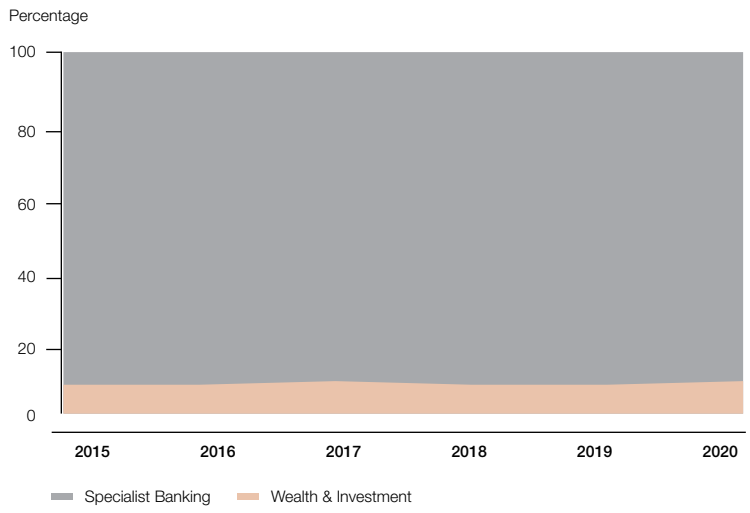
- The year under review was characterised by a tough operating environment, exacerbated in quick succession by a technical recession, South African sovereign credit rating downgrades and the sudden and extreme COVID-19 related dislocation in global markets during the last quarter of the financial year
- The Wealth & Investment business generated net inflows of R2.2 billion. Revenue was supported by higher average assets under management and by our offshore offering, as clients continued to seek international investment opportunities
- The core client franchises in the Specialist Bank reported revenue growth with private client interest and overall fee income up year on year. This was offset by the base effects of a large realisation in an associate entity in the prior year, as well as the impact of the COVID-19 pandemic. Net core loans increased by 6.5% to R288.9 billion (31 March 2019: R271.2 billion), with growth in private client lending partially offset by subdued corporate client activity
- Costs were well contained, increasing by 2.1% year on year. Taken together with total operating income (before expected credit loss impairment charges) up 1.3%, the cost to income ratio increased to 56.6% (2019: 55.4%)
- The credit loss ratio◇ increased to 0.36% (2019: 0.28%) driven primarily by a deterioration in the macroeconomic scenarios applied (which were adjusted for COVID-19 and the South African sovereign downgrades). Pre COVID-19, the credit loss ratio◇ was calculated at 0.21% for 31 March 2020
- Against this backdrop, the business reported adjusted operating profit◇ down 9.1% to R5 265 million (2019: R5 793 million)
- The overall financial impact of COVID-19 on adjusted operating profit◇ was approximately R1.2 billion (through higher impairment charges and negative fair value adjustments on certain portfolios as noted above, partially offset by a reduction in variable remuneration)
- The taxation charge increased year on year due to the prior year release of provisions associated with tax settlements.
- Overall, this resulted in headline earnings from continuing operations decreasing by 20.6% to R3 934 million (2019: R4 955 million).

Financial performance

Adjusted operating profit◆ decreased 9.1%	**2020** **R5 265mn** 2019 R5 793mn
Customer deposits increased 9.9%	**2020** **R375.5bn** 2019 R341.6bn
Net core loans and advances increased 6.5%	**2020** **R288.9bn** 2019 R271.2bn
Loan to deposit ratio◆	**2020** **75.0%** 2019 77.2%
Third party assets under management decreased 16.3%	**2020** **R255.9bn** 2019 R305.9bn

We have a strong franchise and diversified business model that supports a solid revenue base

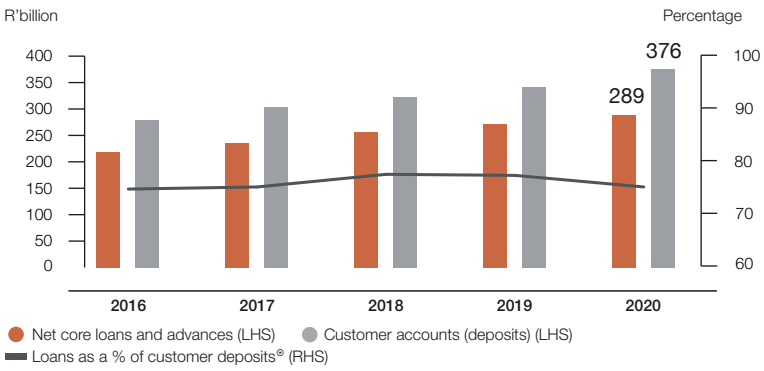
Contribution to adjusted operating profit◆ (excluding group costs)*



Continued to grow our key earnings drivers

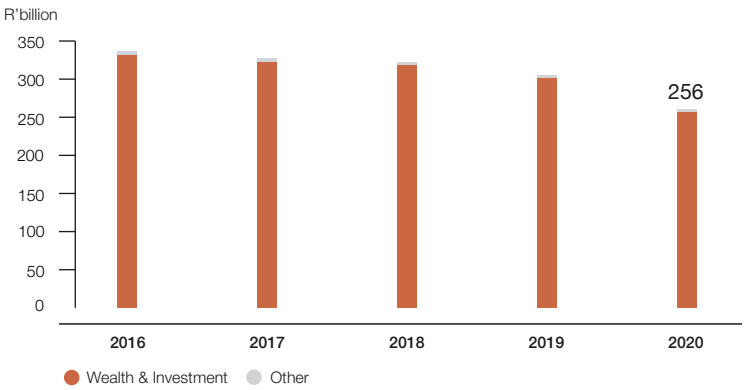
Customer accounts (deposits) increased 9.9% to R375.5 billion
Net core loans and advances increased 6.5% to R288.9 billion

Customer accounts (deposits) and loans



Third party assets under management decreased 16.3% to R255.9 billion impacted primarily by market movements

Funds under management

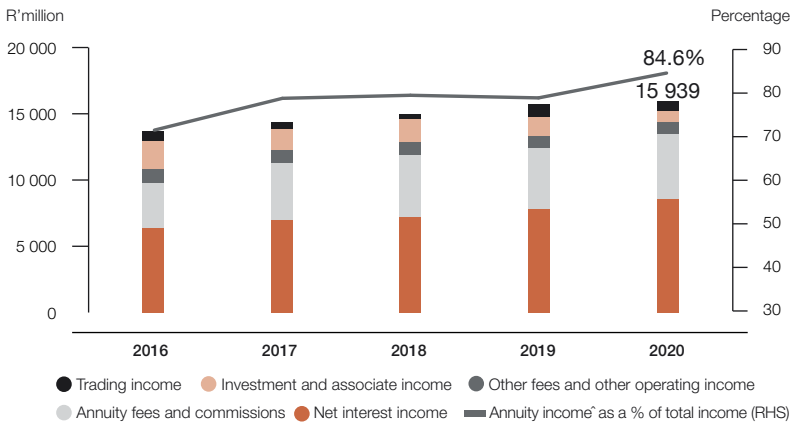


Financial performance

Annuity income^ as a % of total operating income	2020 **84.6%** 2019 **78.5%**
Cost to income ratio^	2020 **56.6%** 2019 **55.4%**
Credit loss ratio^	2020 **0.36%** 2019 **0.28%**
Gearing ratios^ remain low	2020 **10.1 times** 2019 **9.1 times**
Cash and near cash increased by 24.3%	2020 **R147.2bn** 2019 **R118.4bn**

Supporting growth in operating income

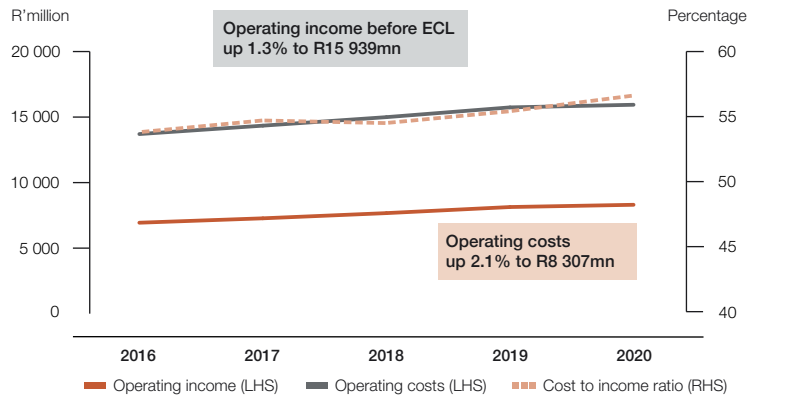
Total operating and annuity income



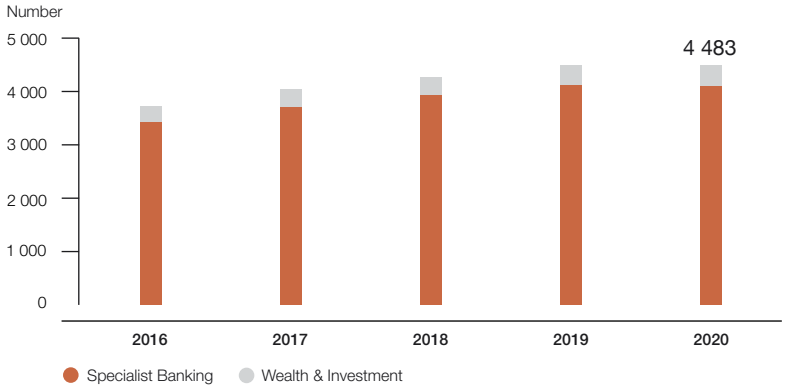
^ *Where annuity income is net interest income and annuity fees.*

Continued focus on cost containment

Jaws ratio



*Headcount**



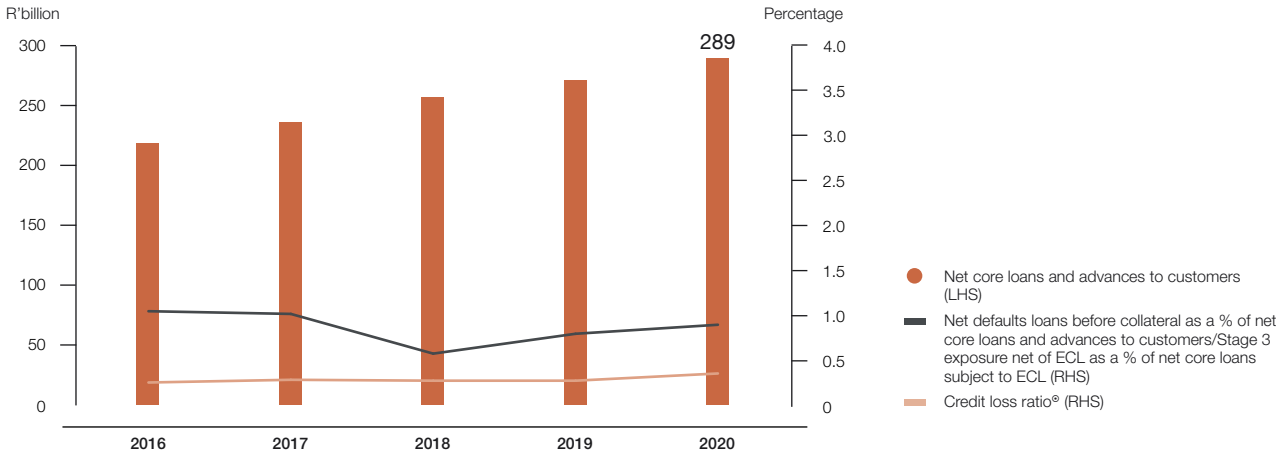
* *Permanent headcount and includes acquisitions.*

Impairments increased, driven primarily by a deterioration in macroeconomic scenarios

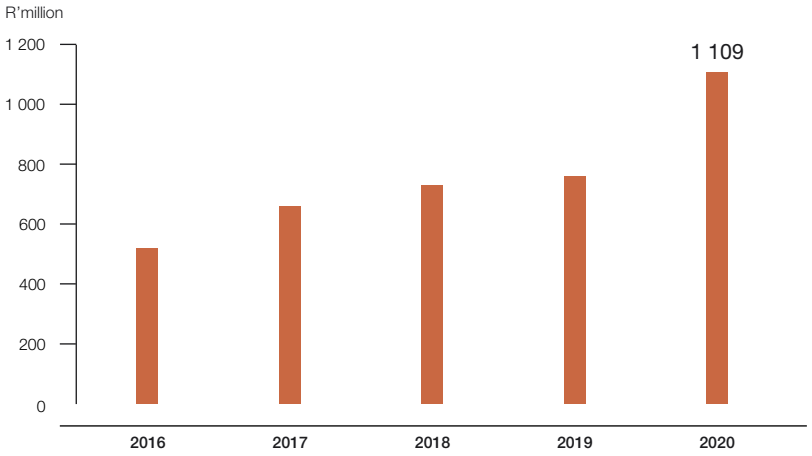
Since 31 March 2019:

- Net core loans and advances increased 6.5% to R288.9 billion
- Gross core loans Stage 3 assets increased by R666 million to R4 460 million. Stage 3 net of ECL as a % of net core loans and advances subject to ECL amounted to 0.9% (31 March 2020: 0.8%)
- The credit loss ratio° increased to 0.36% (2019: 0.28%) driven primarily by a deterioration of the macroeconomic scenarios applied (which were adjusted for COVID-19 and the South African sovereign downgrades)
- Net defaults (after impairments) remained adequately collateralised.

Default and core loans



Expected credit losses impairment charges



Maintained a sound balance sheet

The intimate involvement of executive management ensures stringent management of risk, capital and liquidity as shown below.

Capital management

Capital and leverage ratios remain sound, ahead of internal targets and regulatory requirements.

Investec Limited received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in pro-forma ratios as shown below had the FIRB approach been applied as of 31 March 2019.

We are comfortable with our common equity tier 1 ratio target at 10.0% given our solid capital light revenues, and our current leverage ratio at 6.4%.

Capital ratios

	FIRB	Pro–forma FIRB*	Standardised
Investec Limited	**31 March 2020**	**31 March 2019**	**31 March 2019**
Total capital adequacy ratio	15.0%	16.0%	14.9%
Tier 1 ratio	11.5%	12.4%	11.2%
Common equity tier 1 ratio – as reported	10.9%	11.6%	10.5%
Common equity tier 1 ratio – 'fully loaded'^^	10.9%	11.6%	10.5%
Leverage ratio** – as reported	6.4%	7.4%	7.6%
Leverage ratio** – 'fully loaded'^^	6.3%	7.2%	7.3%
Investec Bank Limited	**31 March 2020**	**31 March 2019**	**31 March 2019**
Total capital adequacy ratio	16.4%	17.7%	15.8%
Tier 1 ratio	12.3%	12.8%	11.5%
Common equity tier 1 ratio – as reported	12.1%	12.5%	11.2%
Common equity tier 1 ratio – 'fully loaded'^^	12.1%	12.5%	11.1%
Leverage ratio** – as reported	6.9%	7.6%	7.7%
Leverage ratio** – 'fully loaded'^^	6.8%	7.5%	7.6%

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

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

^^ *The key difference between the 'reported' basis and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be registered on reducing basis in the 'reported' figures until 2022.*

Note: Refer to pages 103 and 110 for further details.

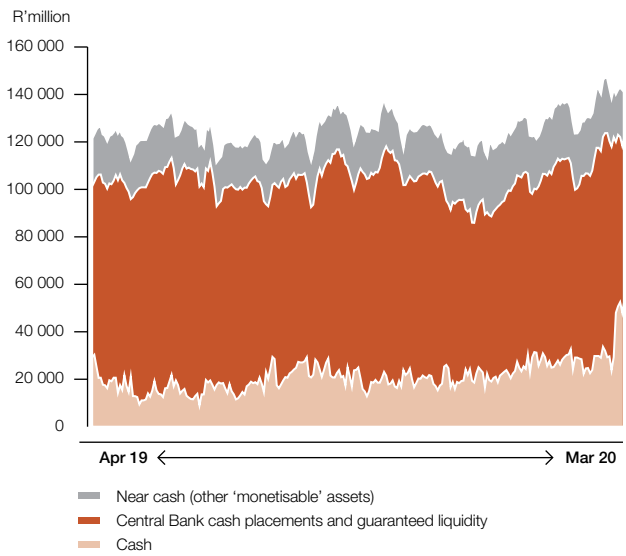
A well-established liquidity management philosophy remains in place

Continued to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio° of 25%, with the year-end ratio at 39.2%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Maintaining low reliance on wholesale funding
- Continuing to benefit from a growing retail deposit franchise and recorded an increase in customer deposits.

We ended the year with the three-month average of Investec Bank Limited (solo basis) liquidity coverage ratio at 133.2% (31 March 2019: 135.6%) and net stable funding ratio at 116.2% (31 March 2019: 115.6%), well in excess of the minimum regulatory requirements.

Investec Limited cash and near cash trend



Specialist Banking

Richard Wainwright

Business leader

How did the operating environment impact your business over the past financial year?

The tough operating environment in the first six months of the financial year continued through the second half, exacerbated in quick succession by a technical recession, South African sovereign credit rating downgrades by Moody's and Fitch, a rising public sector debt trajectory and the recent ongoing public health and economic effects of COVID-19. Notwithstanding this environment, the results of the Specialist Bank in South Africa reflect a good performance from our core franchise businesses, namely the Corporate and Institutional Bank, Private Bank and the Investment Bank. This was offset by a weak performance across our investment portfolio.

The Corporate and Institutional Bank's lending activities were impacted by low levels of business confidence, weak domestic demand and tighter margins. Muted GDP growth and slow deal activity led to more competitive pricing between banks resulting in core loans and advances across corporate and specialist lending activities remaining fairly flat year on year. The deposit book grew, with a significant portion of the increase occurring during March 2020, as large financial institutions and asset managers placed more deposits with us, as they become more defensive in the current economic climate. Overall, performance was broadly in line with the prior year despite the negative impact increased market volatility had on the trading book.

Within the Private Bank, growth in lending activities accelerated in the second half of the year, after a slow start due to a subdued business and economic outlook and pressure on private sector activities. The transactional banking environment has been more competitive with new entrants and continued innovation by traditional competitors. Despite these factors, the business delivered a solid performance with growth in market share, new accounts opened and point of sale activity. In addition, foreign exchange volumes were considerably higher year on year, as private clients sought diversified international exposure.

Corporate driven activity within Investment Banking and Principal Investments was negatively impacted by a reluctance by large corporates and private equity investors to pursue both organic and inorganic growth opportunities. This impacted the level of fee generation within M&A advisory and equity capital markets, notwithstanding the increase in corporate finance fee income year on year. The decline in global equity markets and deteriorating economic conditions in South Africa negatively impacted the valuations of our direct equity and direct property investments. Whilst the environment is not conducive to asset realisations, the dislocation may create attractive opportunities for our clients.

Investec for Business experienced a downward trend in levels of utilisation (particularly in the trade finance book) and margin pressure amid increased competition. A level of market resilience did however exist, which saw the business grow its core loans and advances.

The impact of COVID-19 is reflected in our impairment provisions which are forward-looking, however, the full effects on business activity and asset valuations may only manifest in the next financial year. As expected, in the context of the current environment, our credit loss ratio increased to 0.36% yet remains within our through-the-cycle range of 30bps – 40bps and well below industry averages. The bank is well capitalised and Rand and US dollar liquidity remain very strong.

What progress was made in the past financial year in respect of the group's key strategic objectives?

Our commitment to the group's key strategic objectives remains unchanged.

Capital discipline

We continue to operate with a capital disciplined mindset.

The transition to the Foundation Internal Ratings-Based ('FIRB') approach at the start of the financial year enhanced our ability to price competitively and utilise our capital more efficiently. Our application to the SARB to implement the Advanced ('AIRB') approach was submitted during the first half of the year and remains under review. Successful implementation is expected to result in a material reduction to our capital requirements with an estimated c.2% uplift to our CET1 ratio.

We aim to reduce the capital allocated to our investment portfolio in the medium-term and rather direct it to our core franchise businesses.

Growth initiatives

During the year we continued to invest in our businesses for future growth and sustainability. To this end within the Private Bank:

- The execution of our targeted Young Professionals strategy, which broadened our target market into new professional segments is increasing our market share and contributing to book growth in retail mortgages and instalment sales
- In December 2019, Investec, in partnership with Fintech company OfferZen, launched programmable online Investec bank accounts for software developers – another niche target professional segment. While the beta testing is aimed at software developers, we believe that in the long-term working closely with the developer community will lead to innovative solutions that will benefit all our customers
- We continued to build out 'My Investments': a digital investment platform accessed through Investec Online, providing private clients access to trade shares and invest in selected investments.

Investec for Business, which offers trade and import finance, borrowing base and cash flow lending along with asset and rental finance, is a key growth area for the bank. Over the past year, we onboarded 111 new clients, an increase of 11%, and granted 20% more facilities compared to the prior year.

In the Corporate and Institutional Bank:

- The strategic corporate arrangement entered into in July 2019 with Goldman Sachs to extend our cash equity trading capabilities has been positive and continues to gain momentum
- Through Investec Life and in collaboration with the Private Bank, new policy sales are up c.40% compared to the prior year
- Investec Specialist Investments, an alternative asset class fund manager offering within the bank, is increasing its assets under management (AUM) as its first two specialist funds have recently passed their three-year track record milestone
- We launched Investec Business Online, a single platform transactional banking capability for corporate and business clients. The Investec for Business client base will also be a key driver of growth on this platform.

Investec Property (IP), the fund manager for the Investec Property Fund (IPF), successfully doubled the AUM for IPF and its new co-investors in the European logistics platform to c.R40 billion at year-end. IP has been growing AUM locally and internationally for several years. We will continue to look for opportunities across this platform in the UK, Europe and South Africa which may also provide investment opportunities for both our private and institutional clients.

Cost management

Our results demonstrate good cost control with cost growth remaining below inflation. This has been achieved through headcount containment and ongoing simplification of our operating model.

Connectivity

Driving greater connectivity, collaboration and linkages across business divisions locally and globally has been a key focus area.

- 'My Investments' is an initiative across the Private Bank and Wealth & Investment businesses to provide an online investment management solution to our entire private client base
- We have focused on leveraging the UK and South African Private Banking ecosystem by providing our South African client base offshore access, while at the same time introducing retail deposits and lending opportunities for the UK Banking business
- There has been ongoing integration and collaboration between Investec Life and the Private Bank to encourage broader product suite offerings to all our clients
- We have continued to work on simplifying our operating model by leveraging shared platforms and capabilities across our infrastructure to create operational efficiencies.

Digitalisation

We invest continually in our IT infrastructure in order to deliver high-tech, enhanced digital capabilities for an improved client experience.

- The build out of Investec Business Online, a transactional business banking platform within the Corporate and Institutional Bank, is gaining momentum with an increasing number of clients. Full functionality and roll out is expected to be completed towards the end of the first half of financial year 2021
- We have broadened the Investec for Intermediaries offering which seeks to create a unified digital capability for our intermediary client segment
- Automation and digitisation of client management processes has been a key focus this year, particularly around onboarding and account opening
- Security and the protection of our clients' data remains a top priority, with enhancements made to security features on Investec Online and the mobile app, such as multi-factor authentication, face biometrics, and 3D secure payments technology.

In addition to the above stakeholder capitalism, climate change and sustainability rose to the top of the corporate banking agenda in the past year. In South Africa, the role of corporates and fiduciary responsibilities of directors has always been important to the company and hence to all stakeholders, not just shareholders. One of Investec's most cherished values is that we strive to live in society, not off it. This is a mantra that we live by inside the bank.

We are active participants in the Sustainable Development Goals (SDGs) and welcome the work they are doing to shine a spotlight on some of the crucial interconnected elements of sustainable development in South Africa. In February 2020, in partnership with the Johannesburg Stock Exchange, we hosted members of 30 international banks and financial institutions who are driving

the UN Global Investment for Sustainable Development (GISD) agenda. Investec's approach is to partner with our clients and stakeholders to focus on those SDGs where we can maximise positive socio-economic impact and reduce inequality.

A particularly memorable event from the past year was the title deeds initiative whereby Investec wrote off the mortgage debt of 3 600 households in 15 Gauteng townships. Staff assisted in handing over title deeds to a severely vulnerable population ensuring debt-free home ownership and contributing to SDG 10 (by reducing inequality) and SDG 11 (by enabling people to keep their homes).

Our 2020 group sustainability and ESG supplementary information report provides further detail on the many initiatives we support and fund as part of our commitment to the SDGs.

Q *How do you incorporate climate, environmental and social considerations into your business?*

We have a number of policies and processes in place to incorporate environmental and social considerations into our business activities and strategy. Over the past year, we have seen increased interest from stakeholders on climate-related issues. After an extensive engagement process, Investec Bank was the first bank in South Africa to make a comprehensive fossil fuel policy public (including oil and gas). In addition, we were the first bank in South Africa to commit to the Task Force on Climate-related Financial Disclosures (TCFD). We have disclosed our fossil fuel exposures and other ESG exposures in our 2020 group sustainability and ESG supplementary information report.

We recognise the opportunities to finance the transition to a low carbon economy. Our power and infrastructure business is at the forefront of many of these initiatives. For example, Investec is providing funding for black-owned energy and development company Pele Energy Group for the construction of wind and solar projects. We also launched the first structured product issued in South Africa over an Environmental World Index, giving investors access to world equity markets whilst considering their environmental impact. Furthermore, we are piloting a solar solution for our private bank clients.

Within our operations, we were pleased to achieve net-zero carbon emissions in February 2020 and received a four-star rating through the Green Building Council of South Africa for our Sandton head office. Our sustainability efforts were recognised with a number of awards: Best Investment Bank for Sustainable Finance in Africa in the 2020 Global Finance Awards; winner of the Sustainability Award in the 17th Annual National Business Awards 2019; winner of the Trialogue Strategic CSI Award 2019 for the Promaths programme; and voted one of South Africa's Top Empowered Companies by Impumelelo.

Q *What were the key challenges in your business over the past year?*

The most significant factors were the synchronised global economic slowdown and weak domestic economic growth which resulted in subdued investor confidence due to policy uncertainty and structural challenges within the South African environment. This led to reluctance by South African businesses and individuals to invest for growth.

In our lending businesses, we experienced pricing pressure from competitor funders, impacting both new business and refinancing of existing loans.

The economic backdrop also impacted our ability to reduce the investment portfolio and resulted in the reduction in value of certain listed, unlisted and property investments. We remain committed to rationalising and optimising the value of the investment portfolio as previously communicated, however, the impact from the current COVID-19 pandemic is likely to slow progress on this front until markets, corporate M&A and asset owners and managers' risk appetite normalises.

What are your strategic objectives in the coming financial year?

Our strategic objectives in the coming year remain largely the same as we outlined at the half year, however, these will be tempered against a COVID-19 backdrop.

- In these unprecedented times, our primary objectives are to ensure the wellbeing and safety of our staff and to support our clients and communities. By doing this we will in the long-term retain and attract talent, gain client market share and deliver to the triple bottom line while balancing shareholder and societal returns
- Client acquisition remains a focus across all our businesses by expanding our value proposition and deepening client entrenchment and engagement
- Growing our capital light revenue aligns with our capital optimisation objective. This will be achieved by diversifying revenue streams through 'My Investments', Investec Life and Investec Specialist Investments
- Enlarging our retail deposit base and foreign currency and multicurrency accounts across all client segments including corporates, private clients and intermediaries
- Increased cooperation between the Specialist Bank and Wealth & Investment businesses
- Continued cost containment measures by leveraging operational efficiencies and scale and containing headcount
- While ROE enhancement remains front of mind, considering COVID-19, capital preservation is equally important. Risks do not manifest themselves immediately and therefore we continue to be conservative in both our liquidity and capital management.

What is your outlook for the coming financial year?

Global social containment measures in the face of COVID-19 have caused unprecedented turmoil in financial markets, businesses and the economy. The length and depth of the pandemic is not yet known; however, it is expected to further reduce corporate activity, increase business failures and materially depress capital markets and asset values.

We will continue to do our part to support South African businesses and the communities around us, and as a member of the Banking Association of South Africa, we are proud to partner with government and other South African banks to provide COVID-19 relief measures as we attempt to safeguard the sustainability of our economy and do right by society.

As with the global financial crisis, we remain confident that the value of our brand, market positioning and client base will sustain us. Our clients have a track record of resilience in difficult operating environments. Together with the diversified international opportunities we can offer them, a continued focus on asset quality and capital preservation, our business is well positioned to weather the storm.

Wealth & Investment

Henry Blumenthal

Business leader

Q *How did the operating environment impact your business over the past financial year?*

The operating environment in South Africa has been characterised by persistent market volatility, structural challenges, and weak growth. Notwithstanding this, we have generated significant inflows from our discretionary and annuity client base during the year. Clients continued to internationalise their investment portfolios leveraging off our unique offering which allows clients to invest and bank locally and in the UK, all in One Place™.

The immediate reaction of financial markets to the COVID-19 pandemic and consequent action taken across the globe to "flatten the curve" resulted in a contraction of equity markets globally as well as a weakening of the Rand. This impacted overall levels of assets under management at financial year-end.

The operational response of our business has been a robust, agile transition into remote working, enabling a seamless continuation of service to our clients.

Q *What progress was made in the past financial year in respect of the group's key strategic objectives?*

Over the course of the year, we expanded our fiduciary and estate planning offering and continued with the development of our High Net Worth private client value proposition in conjunction with the Private Banking business. This, together with our increased focus on alternative assets, contributed to further developing our strategic offering. Furthermore, segmenting our client base has created space to enhance the efficiency and effectiveness of our business.

Our international offering has gained further traction, providing clients access to global investment opportunities across a broad investment universe. We expect this trend to continue.

We have continued to invest in our people, by actively focusing on learning and development, transformation, diversity and inclusion as well as culture and team development aimed at creating a culture of belonging, excellence, and personal growth.

Enhancement of our IT and digital capabilities across online reporting, data and client management have focused on improving client service and encouraging growth.

Q *What were the key challenges in your business over the past year?*

Global market volatility, as well as structural challenges and weak growth in South Africa persisted through the year. The COVID-19 pandemic in the last quarter of the financial year led to unprecedented market volatility, exacerbated by rating agency downgrades of the South African sovereign. Almost all asset classes have come under pressure, providing little room to achieve the desired level of investment returns.

Our frequent, personal engagement with our clients has helped navigate the continued low levels of investor and business confidence. These factors emphasise the importance of ensuring we maintain and enhance our solid underlying investment philosophy as well as strong client relationships.

Q *How do you incorporate climate, environmental and social considerations into your business?*

As long-term investors, we acknowledge that we have the responsibility to invest in a way that promotes sustainability. Sustainability considerations, including material issues of an environmental, social and governance (ESG) nature, form part of our investment analysis and related activities. We subscribe to the Code for Responsible Investing in South Africa (CRISA) which is incorporated in our stewardship code. This code sets out how we approach our governance and stewardship responsibilities with respect to our investment activities.

Within our philanthropy offering, we enable our clients to build a legacy by uplifting the societies in which we live and maximising social impact through their donations. This offering has become more strategic in nature due to the move towards supporting more long-term sustainable solutions. At 31 March 2020, Investec managed philanthropy foundation investments to the market value of R988 million. These funds have derived income for distribution to charities on behalf of our clients to the value of approximately R29.8 million in the past year. This income is distributed by Investec charitable trusts in accordance with the decisions made by the respective foundation trustees. Of the funds allocated, 55% went to education, 29% to welfare and humanitarian, 12% to social justice initiatives and 4% to healthcare.

In December 2019, we achieved carbon neutral status by offsetting the operational emissions generated from our wealth and investment activities through the purchase of carbon credits with Climate Neutral Group. This enabled us to offset our carbon footprint and contribute to the SDGs by supporting the Joburg Energy to Waste offset project, which captures methane from landfills and turns it into electricity solving two important issues facing the country: clean waste removal and access to energy.

What are your strategic objectives in the coming financial year?

Our immediate focus in these unprecedented times, is the wellbeing and safety of our staff and clients. This is paramount.

The development and global integration of our Wealth & Investment businesses remains a strategic objective within our business capabilities and our investment process. The continued development of our ESG investment strategy and alternative investment management capability will further enable clients to diversify their wealth.

Focusing and leveraging our existing resources and skills across our business will enhance the scope and scale of opportunities for growth.

We remain cost conscious and digitally driven, focusing on evolving our infrastructure and capabilities to more seamlessly service clients. Targeted marketing, a commitment to diversity, strengthening relationships and collaboration across Investec will further provide opportunities to grow and finesse our high-touch, high-tech offering.

What is your outlook for the coming financial year?

A record number of both fiscal and monetary stimulus packages have been provided by the South African Government and the private sector to support the economy in response to the COVID-19 pandemic, the full effects of which are unknown at this stage. The pandemic and the consequent heightened levels of uncertainty, will likely result in persistent market volatility and pressure on asset values and revenue generation.

As with any crisis, we are actively seeking out new investment opportunities for our clients in the listed space as well as across alternative asset classes.

We remain confident in the fundamentals of our business and in our long-established client relationships. As Investec, our ability to offer our clients both local and international investment management and banking services, underpinned by a high level of client service, differentiates us in the market.

Risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below. For additional information pertaining to these risks as well as information on the management and monitoring of these risks, see the page references provided.

17 – 22

The **financial services industry** in which we operate is intensely competitive.

49 – 66

Credit and counterparty risk exposes us to losses caused by an obligor's failure to meet the terms of any agreement.

44, 79 – 82

Market risk arising in our trading book could affect our operational performance.

93 – 97

Operational risk from failures relating to internal processes, people, systems or from external events may disrupt our business or result in regulatory action.

97

Reputational, strategic and business risks could impact our operational performance.

100 – 110

We may have insufficient capital to meet regulatory requirements and may deploy capital inefficiently across the group.

17 – 22, 53 – 57

Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways.

99

Unintended **environmental (including climate risk), social and economic risks** could arise in our lending and investment activities.

83 – 87, 90 – 91

Liquidity risk may impair our ability to fund increases in assets or to meet our payment obligations as they fall due.

95 – 97

We may be **vulnerable to the failure of our systems** and breaches of our security systems (including cyber and information security).

96 – 97

Compliance, legal and regulatory risks may have an impact on our operations, business prospects, costs, liquidity and capital requirements.

95 and 157

Cyber risk can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm.

50

We may be exposed to **country risk**, i.e. the risk inherent in sovereign exposure and events in other countries.

75 – 77

We may be exposed to **investment risk** in our unlisted and listed investment portfolios and property investment activities.

88 – 89

Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**

113

We may be exposed to **financial crime**, including money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft.

98

Conduct risk is the risk that inappropriate behaviours or business activities may be detrimental to our values, culture and ethical standards, or lead to reputational and/or financial damage.

We may be unable to recruit, retain and motivate key personnel.

www **See Investec group's 2020 group sustainability and ESG supplementary report on our website for further information.**

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Building trust and credibility among our stakeholders is vital to good business

The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them.

The board recognises that effective communication and stakeholder engagement are integral in building stakeholder value and the board is committed to providing meaningful, transparent, timely and accurate financial and nonfinancial information to primary stakeholders as highlighted below.

The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

In order to achieve these outcomes, the board promotes the presentation of a balanced and understandable assessment of the group's position by addressing material matters of significant interest and concern, highlighting key risks to which the group is exposed and responses to mitigate these risks.

Another objective is to show a balance between the positive and negative aspects of the group's activities in order to achieve a comprehensive and fair account of the group's performance.

The group's DLC structure, requires compliance with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority (UKLA), the Johannesburg Stock Exchange (JSE) and other exchanges, on which the group's shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Prudential Authority. From time to time, the group may be required to adhere to public disclosure obligations in other countries where it has operations.

The Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Group Finance and Company Secretarial divisions, ensures that we meet our public disclosure obligations.

A board-approved policy statement is in place to ensure compliance with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

The board of directors oversees the following engagement with our stakeholders:

Employees*

- Staff updates and discussions hosted by CEO, executive directors and /or senior management
- Regular CEO staff communication including via email and other digital channels
- Induction training for new employees including a welcome from the CEO and senior management
- Group and subsidiary fact sheets
- Particular focus on employee well-being via regular digital communication in light of the COVID-19 impact
- Tailored internal investor relations presentations
- Dedicated comprehensive intranet
- Quarterly magazine.

For further detail on employee engagement refer to page 159.

Investors and shareholders

- Regular meetings with executive directors, senior management and investor relations
- Annual meeting with the chairman of the board, chairman of the remuneration committee, senior independent director (SID), investor relations, and group company secretarial
- Annual general meeting hosted by the chairman of the board with board attendance
- Two investor presentations and two pre-close investor briefing calls presented by the CEO and CFO
- Stock exchange announcements approved by relevant board representation
- Comprehensive investor relations website
- Investor roadshows and presentations
- Regular email and telephone communication
- Annual and interim results diclosure.

Clients

- Meetings with senior management
- Client relationship managers in each business
- Regular face-to-face, telephone and email communications
- Comprehensive website and app
- Industry relevant events
- Client marketing events.

Rating agencies

- Meetings with executive management, group risk management and investor relations
- Tailored rating agency booklet
- Tailored presentations
- Regular email and telephone communications
- Annual and interim results disclosure
- Comprehensive investor relations website
- Two results presentations and two pre-close briefing calls presented by the CEO and CFO.

** Employees consists of permanent employees, temporary employees and contractors.*

Government and regulatory bodies

- Ongoing engagement with regulators, regular meetings are held between the chairman of the board, CEO, executive directors and the board with both the South African Prudential Authority and the UK Prudential Regulation Authority
- Active participation in a number of policy forums
- Engagement with industry consultative bodies.

Equity and debt analysts

- Two results presentations and two pre-close briefing calls presented by CEO and CFO
- Stock exchange Announcements approved by relevant board representation
- Comprehensive investor relations website
- Regular meetings with investor relations and executive management including the CFO
- Regular email and telephone communications
- Annual and interim results disclosure.

Communities and NGOs

- Engage regularly with our community partners via in-person meetings, telephone/conference calls and emails
- Comprehensive community website and social media platforms to encourage participation
- Community partners and NGOs invited to collaborate at conferences and events.

Suppliers

- Centralised negotiation process
- Procurement questionnaires requesting information on suppliers' environmental, social and ethical policies
- The board has a zero tolerance approach towards any form of slavery in our supply chain. Our modern slavery policy can be found on our website

ESG analysts and climate activists

- Regular communications on ad hoc topics
- Annual sustainability report
- Comprehensive sustainability website
- Comprehensive ESG disclosures
- Sustainability factsheets.

ESG and Climate related focused industry bodies

- CEO is a member of the UN Global Investors for sustainable development alliance
- Regular and active participation in a number of ESG and climate forums
- Commitment to industry standards including TCFDs and PCAF
- Regular knowledge sharing on ESG industry standards.

Topical discussions with our stakeholders

Impact of the political and economic environment and the COVID-19 pandemic

Key for stakeholders is the resilience of our business model through varied economic cycles and through a crisis. Consequently stakeholders have wanted to understand the impact of the COVID-19 pandemic and the economic environment on the group. The 2020 financial year was characterised by a challenging operating environment in South Africa, ending with the sudden and extreme market dislocation resulting from COVID-19. Geopolitical tensions sparked by US trade wars, a technical recession in South Africa as well as sovereign credit rating downgrades, and finally the recent ongoing public health and economic effects of COVID-19, adversely impacted activity levels and financial performance over the past year.

Our businesses displayed resilience, delivering loan book growth, deposit growth and net inflows of funds under management; all underpinning client-driven revenues. However this was offset by lower associate income, negative fair value adjustments on certain portfolios, and higher than expected credit loss charges given the economic backdrop and the impact of COVID-19. We have disclosed the impact on our loan book and the changes to our macro-economic scenarios on pages 51 to 57.

The COVID-19 pandemic has had wide reaching impacts affecting our colleagues, our clients and our communities in various ways.

Our people have adapted quickly to the challenges and changes that have arisen from the prevailing conditions. The operational response of our business to the disruptions caused by COVID-19 was a robust, agile transition into remote working, enabling a seamless continuation of service to our clients. At the close of the financial year, approximately 95% of our employees were working from home. An extensive wellbeing offering was implemented providing online support for staff across physical, mental, emotional, social and financial wellbeing. Weekly engagement with staff was conducted to measure productivity, ability to cope and extent of feeling supported. Refer to page 159 for further information on how we engaged with our people.

Our focus has also been on engaging with clients to ensure they receive the support they need and have come to expect from Investec. To meet the challenges faced by our clients, we mobilised our balance sheet and expertise to assist in finding the financial solutions or restructuring advice to help them through this period. At the time of reporting our results, we had provided COVID-19 relief to approximately 3 500 client cases in South Africa.

From a community support perspective, the Global Executive Team and board members donated a portion of their salaries to charitable initiatives, including the Solidarity Fund in South Africa. Additionally, senior leaders and staff donated via salary deductions to various community initiatives focused on food security, economic continuity, healthcare and education. Refer to page 138 for further information on how we have supported our communities.

As a group, we acted decisively to support our employees, clients and communities through this crisis, reaffirming Investec's position that "we live in society, not off it".

Our risk appetite framework as set out on page 47 is assessed regularly in light of market conditions and group strategy. Our stress testing framework regularly tests our key vulnerabilities under stress and we are comfortable that we have robust risk management processes and systems in place. The group has always had a long-term strategy of building a diversified portfolio of businesses to support clients through varying markets and economic cycles and we remain confident with the resilience of our businesses. The group's viability statement can be found on pages 159 to 161.

The declaration of dividends in light of the current economic backdrop has also been an area of interest to shareholders, potential investors, and staff. In light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence). This has been effectively communicated and well understood by all key stakeholders.

Demerger and separate listing of Investec Asset Management

Numerous discussions and communications in relation to the demerger transaction were held with various stakeholders including regulators, investors, rating agencies and clients. The transaction was also put to shareholder vote and passed with a 98% majority.

On 13 March 2020, the group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. This followed the group's initial announcement in September 2018 of its intention to simplify and focus the business, in pursuit of disciplined growth over the long term. The board is confident that the demerger and separate listing of Investec Asset Management will allow both businesses to have a sharper focus on their respective growth trajectories. This should result in improved resource allocation, better operational performance and higher long-term growth. For further detail on the demerger and separate listing of Investec Asset Management refer to pages 7 to 8.

Strategy execution

Shareholders have been particularly focused on the progress the group is making in respect of the strategic objectives presented at our capital markets day in February 2019. As such this has been a key focus area of the board over the past year. The board has overseen various strategic decisions taken to progress the Investec group's strategy to simplify and focus the business in pursuit of disciplined growth in the long term, including the completion of the demerger of the Asset Management business as noted above. These strategic objectives and our ability to execute on them has been a key topic of discussion with stakeholders since the group presented them at our capital markets day in February 2019.

In this regard it has also been communicated to stakeholders that in light of the COVID-19 pandemic, the longer-term impacts of which are hard to judge at present, a review of the performance targets that were set for achievement in 2022 may be necessary. The board and senior management are strategising for a "new normal" and will communicate further with stakeholders when in a position to do so. In the meantime, we remain focused on delivering our strategy and achieving a sustained improvement in our key financial metrics and outcomes for all our stakeholders.

For further detail on the group's strategic focus and objectives refer to pages 3 to 4.

Shareholder dilution

The board consulted with major shareholders after the 2018 AGM where the resolutions granting directors' authority to allot shares were passed with a majority of less than 80%, given the concerns around the dilutive effect of the issuance of ordinary shares. Accordingly, these resolutions were not proposed at the group's 2019 AGM held on 8 August 2019. The last share issuance took place in July 2019.

However, at the group's 2020 AGM, in light of the regulatory guidance issued in response to the COVID-19 pandemic which advises banks to conserve regulatory capital, suspend share buybacks and restrict the payment of cash bonuses to senior staff (including all material risk takers), the board will be seeking authority to allot 15 million ordinary Investec plc shares (around two percent of Investec plc's currently issued ordinary share capital), for the purposes of satisfying future employee share awards. Any allotment using this authority will only be for the purposes of satisfying employee share awards, and only to the extent that the company does not otherwise receive regulatory authority to purchase such ordinary shares from the market. Further detail on this resolution can be found in Investec's notices of AGMs.

Mandatory audit firm rotation

At the 2019 AGM, the resolution to re-appoint KPMG Inc. as joint auditors of Investec Limited passed with just below an 80% majority. The Investec Limited Audit Committee considered the views expressed by shareholders, the implications of mandatory audit firm rotation, the requirements of the South African Companies Act, and the implications of having joint auditors, managing audit quality and the risks inherent during a transition. Consequently, the Investec Limited audit committee has decided to commence the process by rotating one of the joint auditors effective from the financial year commencing 1 April 2023, with the remaining firm rotating two years thereafter in compliance with the IRBA requirements. A competitive tender process has commenced to appoint the audit firm to be rotated for the financial year commencing 1 April 2023. The conclusion of the tender process will be communicated publicly as soon as it is concluded.

General ESG engagement

We engage regularly with a range of stakeholders including shareholders, ESG analysts and rating agencies on a number of ESG topics that are relevant for our business.

In the past year:

- There was a specific interest in our approach to climate change and climate disclosures, as detailed below

- Fani Titi, the Investec group CEO, was appointed to the UN Global Investors for sustainable development alliance, made up of 30 leading corporates and financial institutions across the world. The alliance aims to accelerate action to better integrate the SDGs into core business; to scale up sustainable investments globally, especially to countries most in need; and to align investment with sustainable development objectives
- We increased our participation and collaboration in a number of industry-led bodies. For example, we participate in the Bankers Association of South Africa (BASA), of which Richard Wainwright is the Chairman, Sustainable Finance Forum and Positive Impact Forum, and have representation in the climate risk working group with National Treasury
- In addition, we have signed up to support the Partnership for Carbon Accounting Financials (PCAF) and will have access to international best practice and be actively involved in the formulation of financial carbon reporting methodology.

Further information on our ESG initiatives and progress can be found in the group's sustainability and ESG supplementary report available on our website.

Gender, diversity and transformation

Stakeholders remain interested in the progress made by Investec on a number of diversity issues, including workplace representation, board diversity and transformation in South Africa. In this regard a number of actions have been taken by the group.

We have a board diversity policy, setting out the targets for board composition in terms of gender and race. The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of 2020, or as soon as possible thereafter. As at 31 March 2020, there was a 25% representation of women on the board. In terms of ethnic diversity, as at 31 March 2020, there were 5 (36%) persons of colour (as defined by the Parker Review) on the board. We are also a member of the 30% Club in South Africa.

The board recognises that more still needs to be done, in particular, in regards to the representation of women on the board, which has declined in the year. We remain committed to improving the diversity of the board, for a diverse board is and remains essential to the group, bringing indisputable benefits, including distinct and different outlooks, alternative points of view, and mind-sets able to challenge the status quo.

Further information on our gender, diversity and transformation initiatives and progress can be found on pages 115 and 126 as well as in the Investec group's sustainability and ESG supplementary report available on our website.

Non-financial reporting

The recommendations of the Financial Stability Board's TCFDs continue to gain traction. As a signatory of the TCFDs, we have included a summary of our climate risk position on page 99 and detailed TCFD disclosure is available on our website. This is a long-term process; we will continue to enhance our disclosure over time in line with industry guidelines, and best practice.

We have seen a heightened awareness of the SDGs with various internal and external stakeholders. Investec remains committed to building a more resilient and inclusive world and finding opportunities within our businesses to maximise our impact. We are actively involved in many industry initiatives including the Positive Impact Finance committee through BASA where we are developing a standardised approach to disclose the banking sectors' contribution to the SDGs. The group CEO, Fani Titi, signed up to the United Nations (UN) CEO Alliance on Global Investment for Sustainable Development (GISD) in April 2019. The GISD, convened by the UN, aims to secure investment from the private sector to finance the goals. We report on our progress and performance in terms of the global goals in the Investec group's sustainability and ESG supplementary report on our website.

Climate engagement

Stakeholders have been increasingly concerned as to how banks are managing and mitigating climate consequences and if those risks are quantified within their disclosures. We have also seen pressure from many regulatory authorities including the South African National Treasury to move climate disclosures from voluntary to mandatory reporting. Investec proactively engaged with over 50 stakeholders across all jurisdictions to ascertain expectations and views on climate issues. The broad concerns were around board responsibility, climate related policies, transparency of climate disclosures and the impact of transitioning to a low carbon economy. This feedback was consolidated and a number of actions taken:

- The DLC board takes ultimate responsibility for climate related issues, supported by a board approved Social and Ethics committee (DLC SEC). This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks
- Tanya dos Santos was appointed as Investec's Global Head of Sustainability on 4 June 2020. Tanya has been leading our efforts with regard to climate change for many years and brings extensive expertise and experience to this area
- We strengthened our climate change statement to make it clear that we align with the Paris Agreement goals and acknowledge the urgency and need to accelerate action.
- After extensive process, we made our group fossil fuel policy public, the first bank in South Africa to do so
- We disclose our fossil fuel exposures in volume one of the Investec group's integrated annual report as well as in the Investec group's sustainability and ESG supplementary report on our website. We also include an analysis of the Investec group's project finance related transactions in terms of the Equator Principles for the first time in the Investec group's sustainability and ESG supplementary report. In addition, our position in terms of ESG classifications is disclosed in the Investec group's TCFD report available on our website
- Within our businesses, we are actively engaging with our clients to assist in transitioning to a low carbon economy
- Looking forward, our risk teams are analysing our climate positions across portfolios and will be assessing our exposure as the relevant climate scenarios and methodologies become available.

Executive remuneration

In 2018 we engaged in an extensive consultation exercise with our key shareholders, to assist us in designing our new remuneration policy. Following positive and constructive engagement with our key shareholders we implemented a significant number of changes requested by our shareholders, including reducing the like-for-like target remuneration opportunity by approximately 30% by, inter alia, increasing the target metrics. In addition, the fixed remuneration for the incoming CEO was reduced by 10%.

We consulted again with shareholders in February and July 2019, where we received support to technically amend the performance measures and metrics due to the pending demerger of Investec Asset Management. Through that process, we further reduced total "at target" and "at stretch" remuneration for the CEO (and other executive directors) of the remaining Investec business at roughly 10% lower than the current remuneration scheme. Overall, shareholders provided positive feedback on the changes made and on the level of detail and clarity of the disclosure. However, some of the Investec group's shareholders, whilst acknowledging these positive aspects, believed that the overall quantum of pay is too high relative to South African peers. The Investec group is an international business, and as such the Remuneration Committee believes it is appropriate to benchmark executive remuneration against a set of international peers, including South African competitors. Despite the group's active engagement on these matters, certain of the Investec group's shareholders decided to vote against the remuneration report at the AGM in 2019.

We will again be engaging with our key shareholders ahead of our AGM in August 2020 where we will discuss key remuneration issues for the financial year ended 31 March 2020, and the expected approach for the next financial year as detailed in the remuneration report. We will also engage in an extensive consultation exercise with our key shareholders over the next 12 months as we develop our revised remuneration policy, which is scheduled to be presented to shareholders for approval at the AGM in August 2021. Refer to the remuneration report in the Investec group's 2020 integrated annual report for more information.

Inputs

Human capital

We invest significantly in our people to grow talent and leadership. We provide a safe and healthy work environment that values physical as well as psychosocial well-being.

Intellectual capital

We leverage our expertise and specialist financial skills to provide bespoke solutions for clients. We maintain a diversified portfolio of businesses to support performance through varying economic cycles.

Social and relationship capital

We leverage key stakeholder relationships to enhance our impact on society and the macro-economy. We contribute to society through our community programmes and are committed to transformation and youth employment in South Africa.

Natural capital

We support the transition to a low-carbon economy. We recognise the complexity and urgency of climate change and actively seek opportunities that have a meaningful impact in addressing climate change.

Technological capital

We leverage technology to modernise the business and create a digital, connected workplace. We have digitalised client platforms and drive innovation by partnering with fintechs.

Financial capital

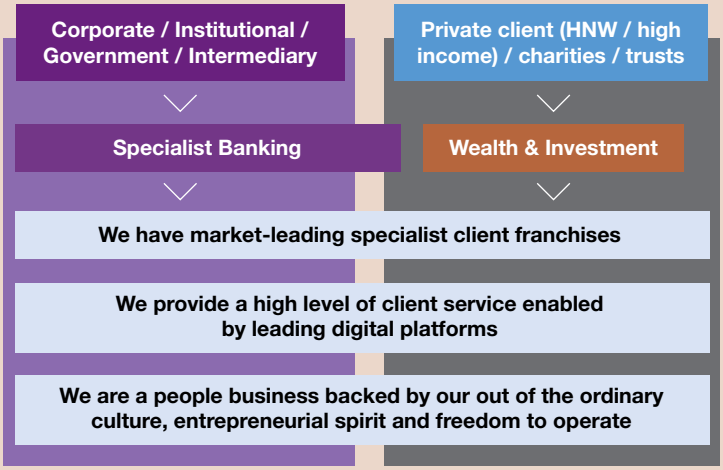
We create sustained long-term wealth by building resilience in earnings and growing our core businesses.

Process

Business model and strategy

- **We strive to be a distinctive bank and investment manager, driven by commitment to our core philosophies and values**
- **We aim to create long-term value for all stakeholders**
- ***Doing well and doing good* by delivering profitable, impactful and sustainable solutions.**

Our long-term commitment is to One Investec; a client-focused strategy where, irrespective of specialisation or geography, we commit to offering our clients the full breadth and scale of our products and services.



Strategic focus for the next year

- **Managing liquidity, capital and balance sheet risk**
- **Cost control**
- **Monitoring credit exposures**
- **Continued support of staff, clients and society**
- **Integrating sustainability throughout our business**
- **Building for the long term.**

In the short term, our objective is to simplify, focus and grow the business with discipline.

Informed by regular stakeholder engagement

Refer to pages 24 to 28

Supported by strong risk management and governance culture

Refer to DLC Vol 2 pages 11 and 12

Outputs	Outcomes	SDGs
Human capital • Staff participating in employee wellness initiatives: 3 529 (79% of permanent employees) (2019: 70%) • Learning and development as a % of staff cost is 3.1% (2019: 3.4%) (target: >1.5%) • Total staff turnover: 10.6% (2019: 9.4%) • All employees participate in culture and values dialogues • 54% female employees (2019: 54%) and 43% females in senior management positions (2019: 42%)	• Safe and healthy work environment that values physical as well as psychosocial well-being • Growth in talent and leadership • Retained and motivated staff through appropriate remuneration and rewards structures • A values-driven culture supported by strong ethics and integrity • Diversity, equity, inclusion and belonging at all levels	4 Quality education 10 Reduced inequalities 16 Peace, justice and strong institutions
Intellectual capital • Annuity income as a percentage of operating income is 84.6% (2019: 78.5%) • Credit loss ratio of 0.36% due to COVID-19 related expected credit losses • Enhanced our ESG policies, processes and reporting	• Diversified revenue streams that support long-term performance • Risk management expertise leveraged to protect value • Solid and responsible lending and investing activities	16 Peace, justice and strong institutions
Social and relationship capital • Customer accounts up 9.9% • Wealth & Investment net inflows of R2 165 million (2019: R4 109 million) • 2.8% community spend as a % of operating profit (2019: 2.5%) of which 86% was on education, entrepreneurship and job creation • Voted one of South Africa's Top Empowered Companies by Impumelelo	• Deep durable relationships with our clients and created new client relationships • Invested in our distinctive brand and provided a high level of service by being nimble, flexible and innovative • Contributed to society through our numerous community programmes and through our SDG activities • Committed to transformation and youth employment in South Africa	4 Quality education 8 Decent work and economic growth 10 Reduced inequalities 17 Partnerships for the goals
Natural capital • 1.6% exposure to fossil fuels as a % of gross credit and counterparty exposures • Achieved carbon neutral status in all our operations and committed to ongoing carbon neutrality • Reached 12.1 million people through four Rhino Lifeline campaigns and raised R2 million in third party donations • Enhanced reporting on TCFDs and Equator Principles	• Transition to a low-carbon economy through funding and participating in renewable energy • Limit our direct operational carbon impact • Protect biodiversity through various conservation activities • Aligned with the Paris Agreement	11 Sustainable cities and communities 13 Climate action 15 Life on land 17 Partnerships for the goals
Technological capital • 18.9% of total operating costs relates to IT spend • One in every four staff members is an IT specialist • >95% of staff working from home during COVID-19 • Investec and fintech, OfferZen, launched a programmable bank account for developers in South Africa • Launched Investec IX, a corporate digital platform in the UK • Made targeted investments in AI capabilities • New RPA technologies embedded to optimise operations	• International platform for clients with global access to products and services which is both high-tech and high-touch • Optimise our value chain and drive efficiencies • Build an open banking platform as a channel to seamlessly integrate with fintechs	9 Industry, innovation and infrastructure 11 Sustainable cities and communities 17 Partnerships for the goals
Financial capital • Operating profit before goodwill and acquired intangibles down 4.7% to R6 523 million and adjusted earnings per share down 30.4% to 33.9p • Core loans up 6.5%, customer deposits up 9.9% and net inflows of R2 165 million • Common equity Tier 1 ratio of 10.9% • Credit loss ratio increased to 0.36% from 0.28% to cater for COVID-19 • Completed demerger and executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses	• Client franchises have shown resilience • Strong balance sheet with robust capital and liquidity levels • Increased provisioning levels and continue to monitor credit exposures • Progress made on strategic initiatives	16 Peace, justice and strong institutions

For more information on our contribution to the SDGs refer to our 2020 group sustainability and supplementary ESG report on our website.

Ratings and rankings in the sustainability indices

We have maintained our inclusion in a number of world-leading indices.

Dow Jones Sustainability Indices

Top 15% in the global diversified financial services sector

JSE

Top 30 in the FTSE/ JSE Responsible Investment Index

FTSE Russell

Included in the **FTSE UK 100 ESG** Select Index (out of 641 companies)

STOXX Global ESG Leaders

1 of 43 banks and financial services in the Global ESG Leaders (total of 439 components)

MSCI

Top 6% scoring AAA in the financial services sector in the MSCI ESG Research

CDP

Score B against an industry average of C

SUSTAINALYTICS

Top 20% of globally assessed companies in the Global Sustainability Leaders Index

ISS ESG

Top 20% of the ISS ESG Global Universe and **Top 14%** of diversified financial services

Awards

Best Investment Bank for Sustainable Finance in Africa in the 2020 Global Finance Awards

Winner of the Sustainability Award in the 17th Annual National Business Awards 2019

Winner of the Trialogue Strategic CSI Award 2019 for the Promaths programme

Investec ordinary shares

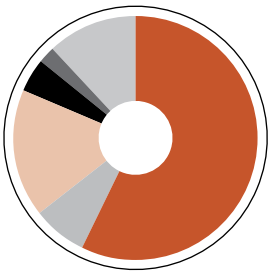
As at 31 March 2020 Investec Limited had 318.9 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2020

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 542	1 – 500	50.6%	765 022	0.2%
1 289	501 – 1 000	14.4%	984 118	0.3%
1 747	1 001 – 5 000	19.4%	3 960 714	1.2%
389	5 001 – 10 000	4.3%	2 858 726	0.9%
571	10 001 – 50 000	6.4%	13 561 448	4.3%
146	50 001 – 100 000	1.6%	10 359 094	3.3%
294	100 001 and over	3.3%	286 415 587	89.8%
8 978		**100.0%**	**318 904 709**	**100.0%**

Geographical holding by beneficial ordinary shareholder as at 31 March 2020



INVESTEC LIMITED

57.3%	South Africa
7.3%	UK
16.9%	USA and Canada
4.5%	Rest of Europe
2.3%	Asia
11.7%	Other countries and unknown

Largest ordinary shareholders as at 31 March 2020

In accordance with the terms provided for in section 56 of the South African Companies Act, 2008, as amended, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

Investec Limited

Shareholder analysis by manager group	Number of shares	% holding
1. Public Investment Corporation (ZA)	43 483 055	13.6%
2. Allan Gray (ZA)	32 596 675	10.2%
3. Investec Staff Share Scheme (ZA)	31 771 254	10.0%
4. BlackRock Inc (UK & US)	12 960 260	4.1%
5. Sanlam Group (ZA)	12 685 303	4.0%
6. The Vanguard Group, Inc (UK & US)	11 501 794	3.6%
7. AQR Capital Management (US)	8 946 529	2.8%
8. Laurium Capital (ZA)	6 821 535	2.1%
9. Old Mutual Investment Group (ZA)	6 550 511	2.1%
10. Dimensional Fund Advisors (UK)	6 105 115	1.9%
Cumulative total	**173 422 031**	**54.4%**

The top 10 shareholders account for 54.4% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Shareholder classification as at 31 March 2020

	Number of Investec Limited shares	% holding
Public*	284 881 850	89.3%
Non-public	34 022 859	10.7%
Non executive directors of Investec plc/Investec Limited	325	0.0%
Executive directors of Investec plc/Investec Limited	2 251 280	0.7%
Investec staff share schemes	31 771 254	10.0%
Total	**318 904 709**	**100.0%**

* *As per the JSE listings requirements.*

Share statistics

For the year ended	**31 March 2020**	31 March 2019
Price earnings ratio[1]	4.5	7.1
Dividend cover (times)[2]	**	2.2
Dividend yield (%)[2]	**	5.5
Earnings yield (%)[1]	22.3	14.2

1 *Calculations are based on the adjusted earnings per share from continuing operations and the closing share price (adjusted for the demerger in the prior year).*
2 *The dividend cover and dividend yield in the prior year have been calculated using the group's consolidated adjusted earnings per share and group's closing share price as reported in the prior year respectively.*
** *In light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence with a dividend cover based on the group's adjusted EPS of 2.5 times).*

Investec Limited

For the year ended	**31 March 2020**	31 March 2019
Daily average volumes of share traded ('000)	1 344	860
Closing market price per share (Rands)[1]	33.99	51.90
Number of ordinary shares in issue (million)[2]	318.9	318.9
Market capitalisation (R'million)[1, 2]	34 500	51 952
Market capitalisation (£'million)[1, 2]	1 543	3 443

1 *As detailed on page 7 and 8, on 13 March 2020 Investec successfully completed the demerger of Investec Asset Management, which became separately listed as Ninety One on 16 March 2020. The closing share price and market capitalisation for Investec Limited as at 31 March 2019 have been disclosed on an adjusted basis as calculated by Factset, to account for the aforementioned demerger.*
2 *The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation, i.e. currently a total of 1015.0 million shares in issue.*

Investec preference shares

Investec Limited and Investec Bank Limited have issued preference shares.

Spread of preference shareholders as at 31 March 2020

Investec Limited perpetual preference shareholders

Number of shareholders	**Holdings**	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
1 053	1 – 500	17.9%	317 978	1.0%
1 229	501 – 1 000	20.9%	1 009 490	3.1%
2 539	1 001 – 5 000	43.2%	6 114 672	19.0%
513	5 001 – 10 000	8.8%	3 683 744	11.4%
457	10 001 – 50 000	7.8%	8 776 716	27.3%
40	50 001 – 100 000	0.7%	2 909 940	9.0%
41	100 001 and over	0.7%	9 402 684	29.2%
5 872		**100.0%**	**32 215 224**	**100.0%**

Investec Bank Limited perpetual preference shareholders

Number of shareholders	**Holdings**	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
259	1 – 500	8.6%	179 973	1.2%
836	501 – 1 000	27.8%	721 397	4.7%
1 365	1 001 – 5 000	45.5%	3 274 776	21.2%
293	5 001 – 10 000	9.8%	2 120 246	13.7%
209	10 001 – 50 000	7.0%	4 036 862	26.1%
24	50 001 – 100 000	0.8%	1 592 629	10.3%
16	100 001 and over	0.5%	3 521 747	22.8%
3 002		**100.0%**	**15 447 630**	**100.0%**

Largest preference shareholders as at 31 March 2020

Shareholders holding beneficial interests in excess of 5.0% of the issued preference shares are as follows:

Investec Limited perpetual preference shares

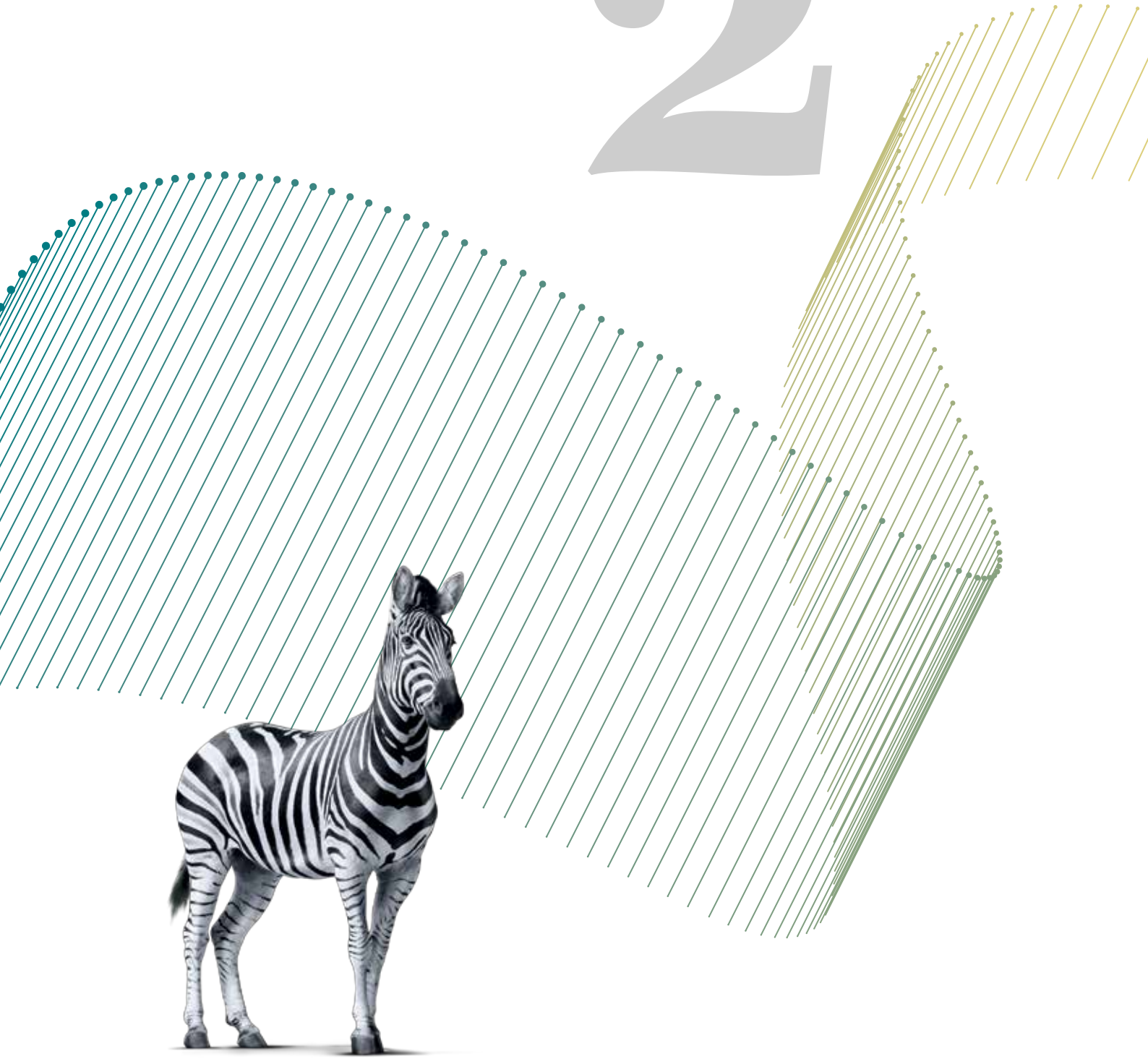
There were no shareholders holding beneficial interests in excess of 5.0% of the issued preference share in Investec Limited, as at 31 March 2020.

Investec Bank Limited perpetual preference shares

There were no shareholders holding beneficial interests in excess of 5.0% of the issued preference shares in Investec Bank Limited, as at 31 March 2020.

2

FINANCIAL REVIEW



Key income drivers

We provide a wide range of financial products and services to a select client base. We operate across two principal business divisions: Wealth & Investment and Specialist Banking

There are a number of key income drivers for our business which are discussed below and alongside.

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients.

Income impacted primarily by

- Movement in the value of assets in underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.

Income statement – primarily reflected as

- Fees and commissions.

Specialist Banking

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Lending activities	• Size of loan portfolio • Clients' capital and infrastructural investments • Client activity • Credit spreads • Interest rate environment	• Net interest income • Fees and commissions • Investment income
• Cash and near cash balances	• Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements • Credit spreads • Interest rate environment	• Net interest income • Trading income arising from balance sheet management activities
• Deposit and product structuring and distribution	• Distribution channels • Client numbers • Ability to create innovative products • Regulatory requirements • Credit spreads • Interest rate environment	• Net interest income • Fees and commissions
• Investments (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received.	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities • Credit spreads • Interest rate environment	• Net interest income • Investment income • Share of post taxation profit of associates
• Advisory services	• The demand for our specialised advisory services, which, in turn, is impacted by applicable regulatory and other macro- and micro-economic fundamentals	• Fees and commissions
• Derivative sales, trading and hedging	• Client activity, including lending activity • Client numbers • Market conditions/volatility • Asset and liability creation • Product innovation	• Fees and commissions • Trading income arising from customer flow
• Transactional banking services	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure • Interest rate environment	• Net interest income • Fees and commissions

Overview

Investec Limited posted a decrease in headline earnings attributable to ordinary shareholders from continuing operations of 20.6% to R3 934 million (2019: R4 955 million). The balance sheet remains sound with a capital adequacy ratio of 15.0% (31 March 2019: 14.9%).

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2019.

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

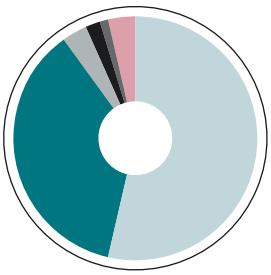
Total operating income

Total operating income before expected credit loss impairment charges increased by 1.3% to R15 939 million (2019: R15 739 million). The various components of total operating income are analysed below.

R'million	**31 March 2020**	**% of total income**	31 March 2019	% of total income	% change
Net interest income	8 555	53.7%	7 778	49.4%	10.0%
Net fee and commission income	5 815	36.5%	5 514	35.0%	5.5%
Investment income	512	3.2%	240	1.5%	113.3%
Share of post taxation profit of associates	311	2.0%	1 163	7.4%	(73.3%)
Trading income arising from					
- customer flow	197	1.2%	613	3.9%	(67.9%)
- balance sheet management and other trading activities	544	3.4%	420	2.7%	29.5%
Other operating income	5	0.0%	11	0.1%	(54.5%)
Total operating income before expected credit loss impairment charges	**15 939**	**100.0%**	**15 739**	**100.0%**	**1.3%**

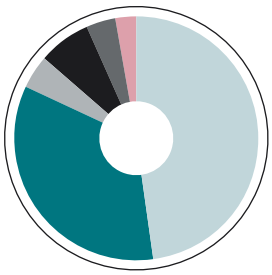
R'million	**31 March 2020**	**% of total income**	31 March 2019	% of total income	% change
Wealth & Investment	1 647	10.3%	1 525	9.7%	8.0%
Specialist Banking	14 292	89.7%	14 214	90.3%	0.5%
Total operating income before expected credit loss impairment charges	**15 939**	**100.0%**	**15 739**	**100.0%**	**1.3%**

% of total operating income before expected credit loss impairment charges



31 MARCH 2020
R15 939 million total operating income before expected credit loss impairment charges

53.7%	Net interest income
36.5%	Net fee and commission income
3.2%	Investment income
2.0%	Share of post taxation profit of associates and joint venture holdings
1.2%	Trading income arising from customer flow
3.4%	Trading income arising from balance sheet management and other trading activities



31 MARCH 2019
R15 739 million total operating income before expected credit loss impairment charges

49.4%	Net interest income
35.0%	Net fee and commission income
1.5%	Investment income
7.4%	Share of post taxation profit of associates and joint venture holdings
3.9%	Trading income arising from customer flow
2.7%	Trading income arising from balance sheet management and other trading activities
0.1%	Other operating income

Net interest income

Net interest income increased by 10.0% to R8 555 million (2019: R7 778 million) supported by private client activity and loan book growth.

For a further analysis of interest received and interest paid refer to page 201.

Net fee and commission income

Net fee and commission income increased by 5.5% to R5 815 million (2019: R5 514 million). Good growth and activity levels from our private client base was partially offset by lower fees from the Investec Property Fund.

For a further analysis of net fee and commission income refer to page 202.

Investment income

Investment income increased significantly to R512 million (2019: R240 million), reflecting the upward revaluation of the Investec Property Fund's European investment (largely offset by non-controlling interests) and the non-repeat of certain investment write downs in the prior year. This was partially offset by higher negative fair value adjustments on the listed equity portfolio and lower realisations given the prevailing economic backdrop in the year under review.

For a further analysis of investment income refer to page 203.

Share of post taxation profit of associates

Share of post taxation profit of associates of R311 million (2019: R1 163 million) reflects earnings in relation to the group's investment in the IEP Group. The decrease year on year is as a result of a large realisation in the prior year.

Trading income

Trading income arising from customer flow decreased significantly to R197 million (2019: R613 million). Reasonable activity levels were offset by market movements on Investec Property Fund's hedging instruments (largely offset in non-controlling interests).

Trading income from balance sheet management and other trading activities increased to R544 million (2019: R420 million). The increase was driven by currency translation gains on Investec Property Fund's UK and European investments (largely offset in non-controlling interests). This was partially offset by COVID-19 related losses on certain trading portfolios and prior year translation gains on foreign currency assets which did not repeat in the current year.

Expected credit loss (ECL) impairment charges on loans and advances

ECL impairment charges for the year increased to R1 109 million (2019: R761 million). The credit loss ratio increased to 0.36% (2019: 0.28%) primarily due to deterioration of the macroeconomic scenarios applied (which were adjusted for COVID-19 and the South African sovereign downgrades). Pre COVID-19, the credit loss ratio was calculated at 0.21% for 31 March 2020. Since 31 March 2019 gross core loan Stage 3 assets have increased by R666 million to R4 460 million. Net Stage 3 exposures as a percentage of net core loans subject to ECL was 0.9% (31 March 2019: 0.8%).

Refer to pages 67 to 74 for further information on asset quality and page 204 for a breakdown of expected credit loss impairment charges.

Total operating costs

Operating costs were well contained, increasing by 2.1% to R8 307 million (2019: R8 136 million). Taken together with broadly flat revenue, the cost to income ratio increased to 56.6% (2019: 55.4%).

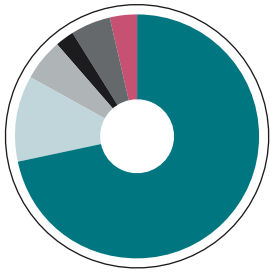
R'million	31 March 2020	% of total operating costs	31 March 2019	% of total operating costs	% change
Staff costs	5 970	71.9%	5 995	73.7%	(0.4%)
Business expenses	940	11.3%	744	9.2%	26.3%
Equipment expenses	467	5.6%	410	5.0%	13.9%
Premises expenses*	209	2.5%	280	3.4%	(25.4%)
Premises expenses (excluding depreciation)*	174	2.1%	280	3.4%	(37.9%)
Premises depreciation*	35	0.4%	–	0.0%	>100.0%
Marketing expenses	423	5.1%	430	5.3%	(1.6%)
Depreciation	298	3.6%	277	3.4%	7.6%
Total operating costs	**8 307**	**100.0%**	**8 136**	**100.0%**	**2.1%**

* *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by R35 million as a result of recognising a right-of-use asset and to reduce the premises expense in the year ended 31 March 2020. The prior period has not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*

The following table sets out information on total operating costs by division for the year under review.

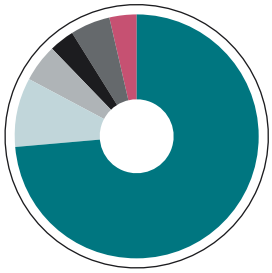
R'million	**31 March 2020**	**% of total operating costs**	31 March 2019	% of total operating costs	% change
Wealth & Investment	1 146	13.8%	1 052	12.9%	8.9%
Specialist Banking	6 826	82.2%	6 817	83.8%	0.1%
Group costs	335	4.0%	267	3.3%	25.5%
Total operating costs	**8 307**	**100.0%**	**8 136**	**100.0%**	**2.1%**

% of total operating costs



31 MARCH 2020
R8 307 million total operating costs

71.9%	Staff costs
11.3%	Business expenses
5.6%	Equipment
2.5%	Premises
5.1%	Marketing
3.6%	Depreciation



31 MARCH 2019
R8 136 million total operating costs

73.7%	Staff costs
9.2%	Business expenses
5.0%	Equipment
3.4%	Premises
5.3%	Marketing
3.4%	Depreciation

Profit attributable to other non-controlling interests

Profit attributable to other non-controlling interests of R1 258 million (2019: R1 049 million) relates to the profit attributable to non-controlling interests in the Investec Property Fund.

Adjusted operating profit

As a result of the foregoing factors, adjusted operating profit decreased by 9.1% to R5 265 million (2019: R5 793 million).

R'million	**31 March 2020**	31 March 2019	% change
Wealth & Investment	501	473	5.9%
Specialist Banking	5 099	5 587	(8.7%)
Group costs	(335)	(267)	25.5%
Adjusted operating profit	**5 265**	**5 793**	**(9.1%)**

Impairment of associates

Management critically evaluated the equity accounted value of the group's investment in the IEP Group (IEP) and consequently recognised an impairment of R937 million in the current year. The recoverable amount of the investment in IEP was determined by calculating Investec's stake of the sum of the fair values of underlying investments held by IEP. This was done by determining the best estimates of cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations.

Taxation on operating profit before acquired intangibles

The taxation charge increased year on year R1 042 million (2019: R337 million) due to the prior year release of provisions associated with tax settlements.

Balance sheet analysis

Since 31 March 2019:

- Total equity increased by 1.9% to R56.7 billion (31 March 2019: R55.6 billion) driven by an increase in retained earnings (which was also positively impacted by the gain on the demerger of the asset management business). This was partially offset by a reduction in other reserves due to negative fair value movements on our High Quality Liquid Assets and credit investment portfolios held at fair value through equity. This was a consequence of the sudden movement in credit spreads in March 2020, impacting valuations at 31 March 2020. More than half of this impact reversed post year-end
- Total assets (excluding assurance assets) increased by 13.3% to R574.6 billion (31 March 2019: R507.2 billion), driven primarily by an increase in core loans and cash and near cash balances
- Total liabilities (excluding assurance liabilities) increased 14.7% to R517.9 billion (31 March 2019: R451.6 billion) primarily driven by growth in customer accounts (deposits).

3

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Overview of disclosure requirements

The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 43 to 113 with further disclosures provided in the annual financial statements section on pages 181 to 276.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

We supplement our IFRS 9 figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. Where applicable, definitions can be found in the definitions section of this report.

Information provided in this section of the annual report is prepared on an Investec Limited consolidated basis, unless otherwise stated.

Investec Limited also publishes separate Pillar III disclosures contained in a separate Pillar III report which can be found on our website.

Philosophy and approach to risk management

The DLC Board Risk and Capital Committee (DLC BRCC) (comprising both executive and non-executive directors) meet at least six times per annum and recommends the overall risk appetite for the Investec group to the board for approval. The group's risk appetite statements set broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risks arising from running our business.

The board has closely monitored developments as a result of the COVID-19 pandemic and receives regular updates. There has been enhanced governance and additional oversight on areas that have been most exposed to the pandemic to date.

Our comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of our businesses to ensure the risks remain within the stated risk appetite.

The group has a strong and embedded risk and capital management culture. Risk awareness, control and compliance are embedded in all our day-to-day activities through a levels of defence model.

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal risk, internal audit, capital, and compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Risk management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group.

Risk management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives and we are continually seeking new ways to enhance techniques.

We believe that the risk management systems and processes we have in place are adequate to support our strategy and allow the group to operate within its risk appetite tolerance.

This section of our annual report explains in detail our approach to managing our business within our risk appetite tolerance, across all principal aspects of risk.

A summary of the year in review from a risk perspective

Our executive management are integrally involved in ensuring stringent management of risk, liquidity, capital and conduct. The primary aim is to achieve a suitable balance between risk and reward in our business, particularly in the context of prevailing market conditions and overall Investec group strategy.

The financial year was characterised by persistent weak economic fundamentals. Against this backdrop, in the first quarter of 2020, the COVID-19 pandemic combined with an oil price shock stunned global markets resulting in unprecedented market dislocations. The sudden imposition of social containment measures in South Africa, as well as many countries across the world led to a synchronised slowdown of economic activity, mounting financial pressure on our clients. We continue to evaluate any changes we may need to make to adapt to the new legal and regulatory landscape that emerges.

On 27 March 2020, Moody's downgraded South Africa's sovereign credit rating by one notch from Baa3 (investment grade) to Ba1, maintaining the negative outlook. Fitch downgraded South Africa's rating further on 3 April 2020, to BB from BB+ with a negative outlook. On 29 April 2020, Standard & Poor's (S&P) also downgraded South Africa's sovereign credit outlook by one notch, to BB- with a stable outlook.

The bank's ratings continued to track rating adjustments to the South African sovereign rating during the course of the year. The bank's national long-term ratings remain sound at Aa1.za from Moody's, AA(zaf) from Fitch and za.AA from S&P.

Although the macro-environment continues to present challenges, the group was able to maintain sound asset performance and risk metrics throughout the year in review. We remained within our risk appetite limits/targets across various risk disciplines, with only a few exceptions that were noted and approved by DLC BRCC and noted by the DLC board.

Our risk appetite framework as set out on page 47 continues to be assessed in light of prevailing market conditions and group strategy.

Credit risk

The group's net core loan book growth since 31 March 2019 was 6.5% to R288.9 billion at 31 March 2020. Growth in the net core loans has been driven by growth in the high net worth and specialised lending portfolio partially offset by subdued corporate client activity. Credit exposures are focused on secured lending to a select target market, comprising high income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised with credit risk taken over a short- to medium-term. The group's net core loan exposures remains well diversified with commercial investment property loans comprising approximately 13.7% of net core loans, other lending collateralised by property 3.2%, high net worth and private client lending 50.9% and corporate and other lending 32.2% (with most industry concentrations well below 5%).

Our exposure to sectors considered vulnerable to COVID-19, excluding property, totalled R19.7 billion at 31 March 2020 or 6.7% of gross core loans and advances and includes our aviation and trade finance businesses. We, however, remain confident that we have a well-diversified portfolio across sectors. Government stimulus and support measures are expected to mitigate the impact on vulnerable sectors, but it remains too early to assess the full impact of this.

Assessing the expected impact from COVID-19 as well as the offsetting effect of the government relief measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures.

The forward looking macro-economic scenarios used in the measurement of ECL were updated to capture the wide-reaching impact of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient. The management ECL overlay was estimated after stressing the probability of default (PD) and loss given default (LGD) for the commercial real estate portfolio. In line with our previous approach, Stage 3 ECLs continue to be assessed using expert credit judgement.

Asset quality metrics before the COVID-19 pandemic reflected solid performance of core loans. Pre COVID-19, the credit loss ratio was calculated at 0.21% for 31 March 2020 (31 March 2019: 0.28%) however, taking into account the impacts of COVID-19 and the South African sovereign downgrades the credit loss ratio was 0.36%, largely reflecting a deterioration in macro-economic scenario forecasts.

Stage 2 exposures totalled R15.3 billion and have increased as a proportion of gross core loans subject to ECL to 5.3% at 31 March 2020 (31 March 2019: 4.0%). Stage 3 exposures totalled R4.5 billion at 31 March 2020 or 1.5% of gross core loans subject to ECL (31 March 2019: 1.4%). Stage 3 exposures have an ECL coverage ratio of 42.2%.

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. This applies the IFRS 9 transitional arrangements to regulatory capital calculations to absorb the full impact permissible of IFRS 9. Investec Bank Limited absorbed the full impact of IFRS 9 on 1 April 2019, on adoption of the Foundation Internal Rating-Based Approach (FIRB) for credit risk.

In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. At 31 March 2020, R1.0 billion of relief measures comprising 0.34% of gross core loans and advances had been granted some form of relief measures, of which R885 million are assets reported in Stage 1. The remaining R115 million are assets reported in Stage 2.

Investment risk

Overall, we remain comfortable with the performance of the majority of our equity investment portfolios, which comprise 4.3% of total assets.

Traded market risk

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses and adversely affected trading revenue. The primary focus of the trading desks remains to manage and hedge the market risk arising from all client related activity.

Trading conditions remained challenging throughout the 2019-2020 financial year, dominated by local and global policy uncertainty. The JSE was down 21% year-on-year, while the Rand depreciated by 23% year-on-year against the US dollar. Against this challenging economic backdrop, the trading desks have performed well, primarily focusing on client facilitation whilst maintaining low levels of open risk.

Utilisation of risk limits have remained moderate and the desks have remained prudent during the year.

Balance sheet and liquidity risk

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continued to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.

A strong liquidity position continued to be maintained throughout the year primarily supported by growth in fixed-term and notice retail customer deposits. Cash and near cash balances amounted to R147.2 billion at 31 March 2020 (31 March 2019: R118.4 billion). The group has raised a substantial amount of deposits over the year, customer accounts (deposits) totalled R375.5 billion at 31 March 2020. Loans and advances to

customers as a percentage of customer deposits ratio remained conservative at 73.6%. The 90-day simple average LCR ended the financial year at 133.2% (31 March 2019: 135.6%). The structural funding ratio represented by the NSFR ended the year at 116.2% as at 31 March 2020 (31 March 2019: 115.6%).

The pursuit of our long-term strategic objective to improve the resilience of our balance sheet by targeting the structural shape of our funding profile remains front and centre. We maintain $1.9 billion of strategic long-term non-ZAR funding from diversified sources across the globe at favourable funding spreads.

Looking forward, the focus remains on maintaining a strong liquidity position in light of the impact of the COVID-19 global pandemic. Funding continues to be actively raised, particularly in the retail market, in line with the group's strategic objectives and to insulate the group from further ongoing market uncertainty. Globally, central banks adopted a coordinated approach in reacting to the COVID-19 pandemic. They began cutting interest rates and putting various mechanisms in place to ensure markets remained liquid. The South African PA cut rates by 250bps to the lowest levels in recent history. In addition to this, they employed further mechanisms to inject liquidity in the system; notably introducing additional term repo facilities for the banks to access and the reduction in the LCR regulatory minimum from 100% to 80% until such time as the South African PA is of the view that financial markets have normalised.

Capital management

Conversion to the Foundation Internal Ratings Based (FIRB) measurement of credit capital resulted in a 1.1% uplift to Investec Limited's common equity tier 1 (CET1) ratio, effective 1 April 2019. The group's application for the conversion to AIRB is under review by the South African PA and if successful is expected to result in a c. 2.0% uplift to the CET1 ratio. Investec Limited's CET1 ratio includes a reduction of 85bps in the current year associated with our High Quality Liquid Assets and credit investment portfolios held at fair value through equity. This was a consequence of the sudden movement in credit spreads in March 2020, impacting valuations at 31 March 2020. More than half of this impact reversed post year end. On 6 April 2020, the South African Prudential Authority (South African PA) reduced the Pillar 2A capital requirement by 1.0% (0.5% in CET1), thereby increasing our surplus to regulatory requirements.

The group continued to maintain a sound balance sheet with a low gearing ratio of 10.1 times and a core loans to equity ratio of 5.1 times. The group's current leverage ratio of 6.4% is above the minimum 6% target level. The group has always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. The completion of the demerger and listing of Ninety One (previously Investec Asset Management) resulted in an increase in the CET1 ratio of 40bps for Investec Limited. Investec decided not to proceed with the sell down of a 10% stake in Ninety One given market conditions at the time of Ninety One's listing.

We maintain an Investec group target common equity tier 1 ratio in excess of 10% which is currently considered appropriate for our businesses given our sound leverage ratios and significant capital light revenues. The CET1 ratio is at 10.9% at 31 March 2020 in excess of regulatory minimums and ahead of our Investec group target.

The South African PA has provided for regulatory relief measures as well as guidance to banks in managing the COVID-19 crisis. These include the temporary relaxation of the Pillar 2A buffer to 0% (from 1%) and permission to utilise the capital conservation buffer (CCB) and the Domestically-Systemic Important Bank (D-SIB) buffer, subject to prior approval from the PA. In addition, the South African PA intends to phase-in or reinstate the Pillar 2A buffer post the COVID-19 stress period.

Conduct, operational and reputational risk

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks. Financial and cyber crime are high priorities, and the group continually aims to strengthen systems and controls in order to manage cyber risk as well as meet regulatory obligations to combat money laundering, fraud and corruption.

The operational response of our business to the disruptions caused by COVID-19 has been a robust, agile transition into remote working, enabling a seamless continuation of service to our clients. Through lockdown approximately 95% of our employees have been working from home.

During the year, a number of stress scenarios were considered and incorporated into our processes including COVID-19 factors. We continue to assess the potential impact from the current stressed environment and its potential impacts on the bank.

The DLC board, through the group's risk and capital committees, continued to assess the impact of its principal risks and a number of stress scenarios on the business. The IBL board has concluded that the bank has sound systems and processes in place to manage these risks, and that while under a severe stress scenario business activity would be subdued, the group would continue to maintain adequate liquidity and capital balances to support the continued operation of the group.

In light of significant dislocation in the external market due to the COVID-19 pandemic it is unclear how the economy and our clients will adjust over the coming months and years. We entered this crisis with experience from the global financial crisis on how to navigate through challenging circumstances, as well as considerable strength with regards to our high levels of liquidity, strong capital and low leverage. We have responded quickly to the operational and client impacts resulting from COVID-19 and we are comfortable that we have well established risk management processes and systems in place.

Salient features

A summary of key risk indicators is provided in the table below.

	31 March 2020	31 March 2019
Net core loans and advances (million)	288 878	271 204
Total assets (excluding assurance assets) (million)	574 607	507 192
Total risk-weighted assets (million)^	337 755	318 533
Total equity (million)	56 675	55 615
Cash and near cash (million)	147 169	118 365
Customer accounts (deposits) (million)	375 456	341 578
Loans and advances to customers to customer deposits	75.0%	77.2%
Structured credit investments as a % of total assets*	0.6%	0.3%
Banking book investment and equity risk exposures as a % of total assets*	4.3%	4.7%
Traded market risk: one-day value at risk (million)	6.9	3.8
Core loans to equity ratio	5.1 x	4.9 x
Total gearing ratio^	10.1 x	9.1 x
Return on average assets#	0.85%	1.16%
Return on average risk weighted assets#	1.40%	1.64%
Stage 3 exposures as a % of gross core loans and advances subject to ECL	1.5%	1.4%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	0.9%	0.8%
Credit loss ratio**	0.36%	0.28%
Level 3 (fair value assets) as a % of total assets*	2.1%	1.5%
Total capital adequacy ratio^	15.0%	16.0%
Tier 1 ratio^	11.5%	12.4%
Common equity tier 1^	10.9%	11.6%
Leverage ratio – current^	6.4%	7.4%
Leverage ratio -fully loaded ^	6.3%	7.2%

* *Total assets excluding assurance assets.*

** *ECL impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL.*

\# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.*

^ *We have adopted the Foundation Internal Rating Based (FIRB) approach effective 1 April 2019. The numbers presented are on a pro-forma basis for 31 March 2019.*

Overall group risk appetite

The group has board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. The risk appetite framework acts as a guide to determine the acceptable risk profile of the group and ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The risk appetite statement is a high-level, strategic framework that supplements the detailed risk policy documents at each entity and geographic level. The risk appetite framework is a function of business strategy, budget and capital processes, our stress testing reviews, the regulatory and economic environment in which the group is operating. The group risk appetite framework is reviewed (in light of the above aspects) and approved at least annually or as business needs dictate. A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the DLC BRCC and DLC board.

The table below provides a high-level summary of the group's overall risk tolerance framework.

Risk appetite and tolerance metrics	*Positioning at 31 March 2020*
We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions	Capital light activities for Investec Limited contributed 36.5% to total operating income and capital intensive activities contributed 63.5%
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income amounted to 84.6% of total operating income. Refer to page 14 for further information
We seek to maintain strict control over fixed costs and target a cost to income ratio of below 55%	The cost to income ratio amounted to 56.6%. Refer to page 14 for further information
We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	The current leverage ratio is 6.4%. Refer to page 107 for further information
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% and we target a minimum tier 1 ratio of 11% and a CET1 ratio above 10%	We met our capital targets, refer to page 110 for further information
We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 7.5% of tier 1 capital. We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
We have preference for primary exposure in the bank's main operating geography (i.e. South Africa). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography	Refer to page 50 for further information
Financial risk from Climate change is a highly important topic which helps to inform credit decisions. We take a cautious approach with respect to industries that are known to damage the environment. We acknowledge that our approach is still work in progress and we will continue to develop this over time.	Refer to pages 99 for further information
We target a credit loss ratio of less than 0.5% and Stage 3 net of ECL as a % of net core loans and advances to be less than 1.5%	We currently remain within all tolerance levels. The credit loss ratio on core loans amounted to 0.36%. Stage 3 net of ECL as a % of core loans and advances 0.9%. Refer to pages 68 and 69 for further information
We carry a high level of liquidity in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to R147.2 billion at year-end representing 39.2% of customer deposits. Refer to page 85 for further information
We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million	We met these internal limits, one-day VaR was R6.9 million at March 2020. Refer to page 80 for further information
We have moderate appetite for investment risk, and set a risk tolerance of less than 12.5% of tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio is R3 807 million, representing 9.8% of total tier 1 capital. Refer to page 76 for further information
We maintain sound operational risk practices to identify and manage operational risk. The group has no appetite for failures in meeting our legal and ethical obligations to combat financial crime and for failures to meet regulatory rules or guidance.	Refer to pages 93 to 97 for further information
We have a number of policies and practices in place to mitigate reputational, legal, tax and conduct risks	Refer to pages 97 and 98 for further information

Risk management objectives are to:

- Ensure adherence to our risk management culture
- Ensure the business operates within the board-approved risk appetite
- Support the long-term sustainability of the bank by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good customer outcomes
- Set, approve and monitor adherence to risk parameters and limits across the bank and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the board reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Resource risk teams suitably and with appropriate expertise and facilitate operating independence.
- Run appropriate risk committees, as mandated by the board
- Maintain compliance in relation to regulatory requirements.

An overview of our principal risks

In our daily business activities, the group takes on a number of risks that have the potential to affect our business operations or financial performance and prospects.

These principal risks have been highlighted on page 23.

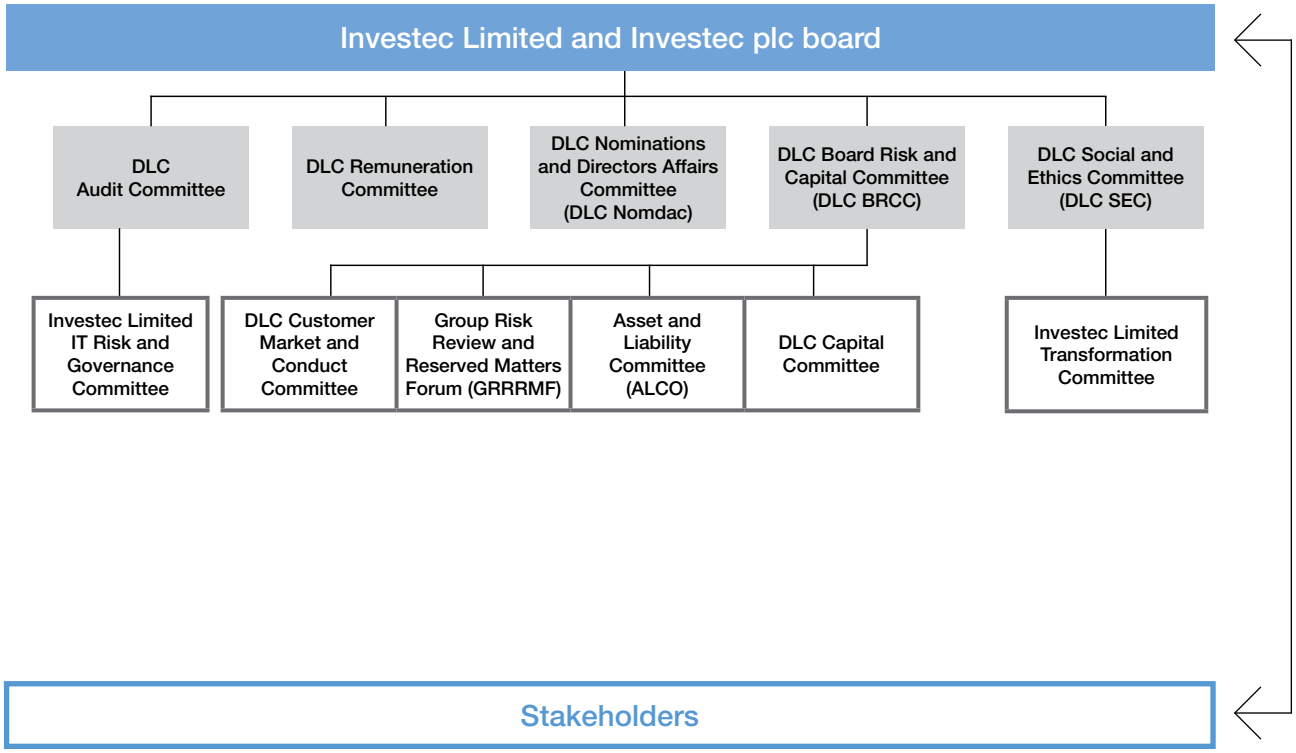
The sections that follow provide information on a number of these risk areas and how the group manages these risks.

Additional risks and uncertainties that are currently considered immaterial and not included in this report may in the future impact our business operations and financial performance.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at a group level. These committees and forums operate together with risk management, as mandated by the board. IBL and Investec Limited audit committees report into the DLC Audit Committee. IBL BRCC also has an independent Risk Committee which report into the DLC BRCC.

Our governance framework is highlighted below.



Credit and counterparty risk management

Credit and counterparty risk description

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

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions through loans and advances to clients and counterparties creating the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Financial instrument transactions, producing issuer risk where payments due from the issuer of a financial instrument may not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party making required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the risk management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure

To manage, measure, monitor and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. There is a level of executive involvement and oversight in the credit decision-making forums depending on the size and complexity of the deal. It is our policy that all centralised credit committees comprises of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist Forums review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision. These committees review ECL impairments and staging at an asset level as well as potential fair value adjustments to loans and advances to customers and provide recommendations for the appropriate staging and level of ECL impairment where appropriate
- Credit Watchlist Forums review and manage exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements or idiosyncratic financial distress
- Arrears, Default and Recovery Forums specifically review and manage distressed loans and potentially distressed loans for private clients and corporates. These forums also review and monitor counterparties who have been granted forbearance measures
- Impairment Decision Committee (IDC) reviews recommendations from underlying watchlist forums and consider and approve the appropriate level of ECL impairments, ECL and staging
- Models Review Forum provides an internal screening and validation process for credit models. We have an established independent model validation team who review the models and provide feedback on the accuracy and operation of the models and note items for further development through this forum.

Credit committees and the processes above have incorporated considerations and decisions with respect to the COVID-19 pandemic and resulting relief measures, staging and ECL in line with the group's existing governance.

Credit and counterparty risk appetite

The board has set a risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is approved at least annually, and monitored on an ongoing basis by DLC BRCC and the DLC board. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, and any remedial actions agreed.

Our assessment of our clients and counterparties includes consideration of their character, integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore, the ability of the client to meet their payment obligations.

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small

and medium enterprises, financial institutions and sovereigns. Corporates should demonstrate scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow. Direct exposures to cyclical industries and start-up ventures are generally avoided.

We are client-centric in our approach and originate loans mainly with the intent of holding these assets to maturity, thereby developing a 'hands-on' and longstanding relationship.

Interbank lending is largely reserved for those banks and institutions in the bank's core geographies of activity, which are systemic and highly rated.

Concentration risk

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk. In order to manage concentration, we will consider a sell down of exposures to market participants.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level.

Country risk

Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the group's main operating geographies. The group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

The group's credit risk appetite with regard to country risk is characterised by the following principles:

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is little specific appetite for exposures outside of the group's pre-existing core geographies or target markets
- The legal environment should be tested, have legal precedent in line with Organisation for Economic Co-operation (OECD) standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic.

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBL ERC and GRRRMF will consider, analyse and assess the appropriate foreign jurisdiction limits to be recorded when required.

Sustainability considerations

The group has a holistic approach to sustainability. Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society. We play an important role in funding (both lending and in investing) a sustainable economy that is cognisant of the world's limited natural resources and promotes carbon reduction. We integrate environmental, social and governance (ESG) considerations into our day-to-day operations and decision-making to support a sustainable, long-term vision. The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG aspects. The following are some that are specific to climate:

- 2030 Agenda and the UN Sustainable Development Goals
- UN Global Compact
- International Finance Corporation (IFC) to assess high and medium risk industries
- OECD Guidelines for Multinational Enterprises and export credits
- CDP (Carbon Disclosure Project)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Bankers Association of South Africa (BASA) guidelines for social and environmental risk
- United for Wildlife Financial Taskforce.

We fully apply the key provisions of the Equator Principles (EP). All transactions done in non-designated countries are EP monitored and compliant. We report on these in our sustainability and ESG supplementary report on our website.

We have a number of group policies that also guide decision-making from a sustainability perspective and we made our group fossil fuel policy public on 31 March 2020. A variety of ESG considerations are considered by the Credit Committee or Investment Committee when making lending or investment decisions. There is also oversight by the DLC SEC on social and environmental issues including climate related risks and opportunities.

In particular, the following factors are taken into account when assessing a transaction based on the outcome of the group sustainability considerations:

- Environmental considerations (including animal welfare and climate-related impacts)
- Social considerations (including human rights)
- Macro-economic considerations (including poverty, growth and unemployment).

Refer to our group sustainability and ESG supplementary information on our website.

Stress testing and portfolio management

The group's stress testing framework is designed to identify and assess vulnerabilities under stress. The process comprises a bottom-up analysis of the bank's material business activities, incorporating views from risk, management teams, business and the executive. Stress scenarios are designed based on findings from the bottom-up process, taking into consideration the broader macro-economic, political risk backdrop and impacts of COVID-19. These IBL specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

The bank also performs ad hoc stress testing and reverse testing. Ad hoc stress tests are conducted in response to any type of material and/or emerging risks, with reviews undertaken of impacted portfolios to assess any migration in quality and highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures. Reverse stress tests are conducted to stress the bank's business plan to failure, and consider a broad variety of extreme and remote events.

Reviews are also undertaken of all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our group credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets subject to ECL, defined on page 279, are as described below:

Stage 1

Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Under IFRS 9 these Stage 1 financial assets have loss allowances measured at an amount equal to 12-month ECL.

In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. Where relief measures are granted, there is no change in expectation of amounts due. These exposures will remain reported in Stage 1 for the foreseeable future and will not be required to hold a lifetime ECL. At 31 March 2020, R1.0 billion of gross core loans and advances had been granted some form of relief measures, of which R885 million were assets reported in Stage 1.

Stage 2

Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. A loss allowance equivalent to a lifetime ECL is required to be held.

The group's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice.

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested on both a relative and absolute basis to assess whether a significant deterioration in lifetime risk of default has occurred. The change in the lifetime PD from deal origination to the reporting date is monitored monthly. The absolute and relative changes in lifetime PDs are tested against predefined trigger levels. When the change in lifetime PDs exceed the trigger levels, it is considered a significant increase in credit risk and the exposure is migrated to Stage 2. The trigger levels have been defined for each asset class and is a function of the credit rating and the remaining maturity of the exposure.

The group assumes that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure periods (specifically relating to forborne exposures) are met.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. The group assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment

of an administrator or the client is in receivership. When a client is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3. Loans which are more than 90 days past due are considered to be in default.

Definition of default

The bank has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be forward-looking and therefore, potentially volatile.

The expected impact from COVID-19 as well as the offsetting effect of government relief measures, required significant judgement. Regulatory bodies provided guidance on expectations around provisioning and staging treatment of exposures. The forward looking macro-economic scenarios used in the measurement of ECL were updated to capture the wide-reaching impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient. The management ECL overlay was estimated after stressing the probability of default (PD) and loss given default (LGD) for the commercial real estate portfolio. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

Write-offs

A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is considered on a case by case basis. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Internal credit rating models and ECL methodology

Internal credit rating models cover all material asset classes. These internal credit rating models are also used for IFRS 9 modelling after adjusting for appropriate differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

Further information on internal credit ratings is provided on page 70.

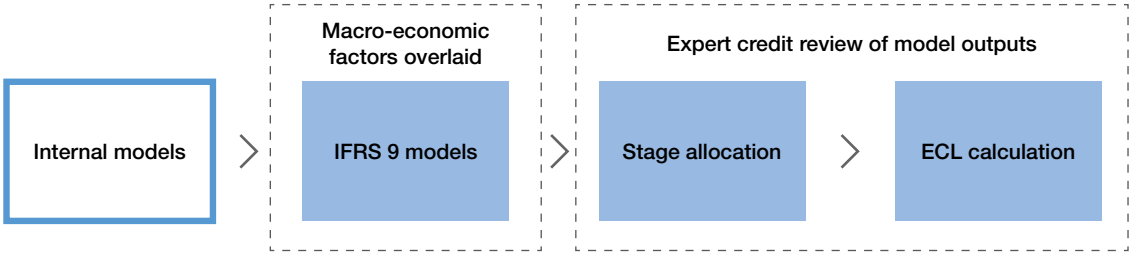
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

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

Process to determine ECL



ECLs are calculated using three main components:

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

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

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

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

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

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

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

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 DLC Capital Committee, which forms part of the principal governance framework for the macro-economic scenarios. A number of scenarios are forecast for consideration in capital planning, stress testing (including Investec specific stress scenarios) and IFRS 9.

For the group, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two upside cases and two downside cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers.

The expected impact from COVID-19 as well as the offsetting effect of government relief measures, required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The forward looking macro-economic scenarios used in the measurement of ECL, as detailed below, were updated to capture the wide-reaching impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced as at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model driven Stage 1 ECL for this portfolio was not considered sufficient. The management ECL overlay was estimated after stressing the PD and LGD for the commercial real estate portfolio.

The impact of the COVID-19 pandemic is still evolving. While collectively better understanding of COVID-19 has been gained over the last few months, it is not yet certain how long it will take to contain the virus, or how long the global economy will be negatively affected. Very substantial policy support measures have occurred globally, but the economic shock, both locally and internationally, will supersede the recession of 2008 – 2009 stemming from the global financial crisis at that time. In South Africa this year, a peak to trough contraction of 10.9% is expected, versus the 2.5% peak to trough contraction over the second half of 2008 and first half of 2009. Furthermore, risk is tilted to the downside.

Under the base case scenario a temporary, sharp global economic slowdown, and global financial market turmoil occurs as a result of the COVID-19 pandemic, with temporary, but severe currency depreciation. Interest rates reach very low levels. Sufficient global and domestic monetary and other policy support measures occur that are sufficient to see risk sentiment improve, and are also sufficient to bolster economic recovery and financial markets. South Africa is expected to exit recession in the third quarter of 2020. Expropriation without compensation (EWC) is put on hold in the crisis, and when it does occur, does not have a significant, negative impact on the economy, and is only confined to abandoned, unused, government and labour tenants' land. South Africa works towards eradicating its structural weaknesses and retains its BB+ rating from Moody's as government debt projections stabilise.

At 31 March 2020 the scenario weighting of the base case was 43%. As at 31 March 2019 the scenario weighting of the base case was 42% and South Africa was expected to achieve an annual growth rate of around 2.0% year-on-year in 2020, and 3.0% year-on-year by 2024. A severe global crisis was not part of the base case. This year, the base case includes a severe global crisis, with extreme policy measures (domestically and globally) aimed at alleviating as much of the crises impact as possible.

In the lite down case scenario the international environment is the same as the base case, but the domestic environment differs. In the light down case South Africa fails to see its debt projections stabilise, and loses its BB+ rating from Moody's, dropping towards the single B ratings from Moody's, S&P and Fitch. This persists until substantial fiscal repair is achieved. In the lite down case a more severe recession occurs in South Africa than in the base case. Business confidence is depressed even further, and investment growth is weak, while load shedding occurs. The Rand sees significant weakness.

At 31 March 2020 the scenario weighting of the lite down case was 42%. At 31 March 2019 the down case was used instead of the lite downside case, and included a worse global environment than in base case at that time. At 31 March 2019 the scenario weighting of the downside case was 37%. The down case was characterised by a sharp global slowdown and commodity price slump, combined with sub-investment grade ratings from all three key credit rating agencies, with a risk of further downgrades. The extent of the global slowdown envisioned in the down case projected last year was less severe than the recession that is materialising this year as a consequence of the COVID-19 pandemic. South Africa was expected to lose its investment grade rating in the down case, but not see further deterioration towards the single B ratings. A combination of the materialisation of a number of domestic and international events have led to a revision in the definition of the scenario, and its assigned probability.

The severe down case is currently characterised by a lengthy global recession and a global financial crisis, as one or more additional downside/s to growth develop besides the COVID-19 pandemic. Monetary and other policy support measures domestically and internationally are insufficient in this scenario to eradicate the extent of the severe risk aversion in investor sentiment. A depression occurs in the South African economy, with unprecedented Rand weakness. Nationalisation of private sector property under expropriation without compensation occurs. South Africa's credit ratings drop to single B from all three of the key credit rating agencies, and further downgrades occur into C grade, as government finances deteriorate further as debt projections continue to elevate and do not stabilise. Government borrows from increasingly wider sources as it sinks deeper into a debt trap. The scenario includes widespread load shedding, strike action and civil unrest.

At 31 March 2020 the scenario weighting of the severe down case was 10%. The severe down case at 31 March 2019 was referred to as the extreme down case and had a weighting of 10%. It

was characterised by a lengthy global recession, and for South Africa, an economic depression (10 quarters or more of negative growth). South Africa's credit ratings fell to junk and the country became a failed state. The projected lengthy depression in the extreme down case saw GDP fall on average by 2% over the five year forecast period, with very high interest rates. In comparison, the severe down case, which is now Investec's worst down case scenario, only has an average 0.5% contraction in GDP over the five year period. A transition to a less severe economic scenario for the worst case has occurred as SA is currently no longer seen at material risk of becoming a failed state. The credit ratings are currently only seen at material risk of falling into the C grade ratings, instead of into the D grade ratings category.

The up case is characterised by a relatively quick rebound from the COVID-19 pandemic, globally and domestically. Global risk-on prevails and the global economy quickly returns to trend growth. Within a couple of years, above trend global growth and high commodity prices occur. South Africa's economic growth reaches 3% year-on-year and then moves towards 5% year-on-year, also supported by better governance and growth creating reforms. Business confidence rises and investment levels strengthen substantially as structural problems are worked down. This in turn supports a sustained acceleration in economic growth. No further credit rating downgrades occur. The rating outlooks stabilise, and then become positive on fiscal consolidation, with government debt projections stabilising. EWC is limited and the EWC that does occur has a slight positive impact on the economy and is confined to abandoned, unused, government and labour tenants' land. In particular, individuals are the new owners and receive the title deeds of the properties with no nationalisation occurring.

The scenario weighting is 4%, compared to 10% at 31 March 2019. This change reflects the increased downside risks currently still being seen as a consequence of the impact of COVID-19, at 31 March 2019 a severe global and domestic crisis was not anticipated as the starting point for the up case scenario.

The extreme upside is an acceleration of the up case scenario. In the extreme up case the impact that the COVID-19 pandemic has had domestically and internationally is resolved rapidly, without further downside to growth developing. The global economy sees strong growth and a commodity boom developing after an immediate, substantial rebound in economic activity. In South Africa all structural constraints are rapidly overcome, with very high levels of governance prevailing and growth-creating reforms are successfully aimed at the private sector. Business confidence reaches high levels and both high rates of domestic fixed investment and very substantial foreign direct investment (FDI) inflows occur. The domestic economy quickly reaches growth rates of 4% year-on-year then 5% year-on-year. Strong fiscal consolidation occurs and government debt as a % of GDP falls back to the low ratios of 2000s. After an initial stabilisation of the credit ratings, credit rating upgrades occur. A strengthening in property rights occurs as EWC has no negative effects on the economy and there is no nationalisation. EWC proves a driver to economic growth and is limited only to abandoned, government and labour tenants' land with individuals obtaining title deeds to these properties, with no corruption or political favours. The extreme up case is characterised by the occurrence of all of these events.

At 31 March 2020 the scenario weighting of the extreme up case is 1% and has remained unchanged from the weighting assigned at 31 March 2019. Although the assumptions supporting the extreme up case have remained essentially unchanged, the impact of the severe global crisis brought on by the COVID-19 pandemic has weakened the actual projected GDP trajectory of the extreme up case. At 31 March 2019, fast, sustainable economic growth of between 5-7% year-on-year or more by the end of the period was envisioned, averaging 5.2% over the five-year forecasts period. However, growth over the five-year period is now only anticipated to average 3.7% following the impact of the pandemic on the global and domestic economy.

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

Macro-economic scenarios	**At 31 March 2020 average 2020 – 2025**					**At 31 March 2019 average 2019 – 2023**				
	Extreme up case %	**Up case %**	**Base case %**	**Lite down case %**	**Severe down case %**	Extreme upside %	Upside %	Base case %	Downside %	Extreme Downside %
South Africa										
GDP growth	3.7	2.6	0.8	0.2	(0.5)	5.2	3.9	2.4	0.7	(2.0)
Repo rate	4.8	5.1	5.8	6.0	7.6	5.5	6.2	7.3	8.4	17.2
Bond yield	9.1	9.4	9.9	10.5	11.8	7.9	8.3	9.7	10.9	14.8
Residential property price growth	7.4	4.1	2.6	1.9	0.2	12.9	6.5	5.1	3.0	(1.1)
Commercial property price growth	4.1	2.0	0.1	(1.8)	(4.3)	5.7	3.1	1.2	(1.6)	(6.0)
Exchange rate (South African Rand:US Dollar)	9.7	11.7	14.8	16.9	18.2	8.1	9.9	13.0	16.9	24.1
Scenario weightings	**1**	**4**	**43**	**42**	**10**	**1**	**10**	**42**	**37**	**10**

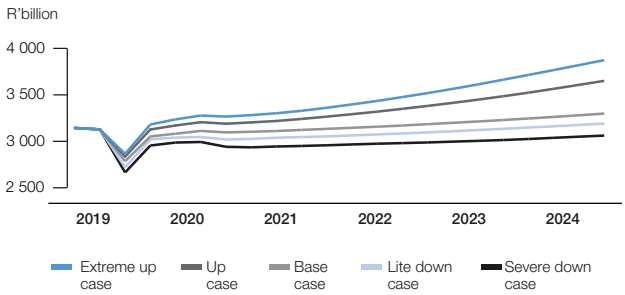
The following table shows annual averages of economic factors over a five-year period.

	Financial years				
Base case %	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
South Africa					
GDP growth	(4.4)	3.5	1.4	1.7	2.0
Repo rate	4.8	6.0	6.3	6.3	6.3
Bond yield	10.8	10.6	9.6	9.5	9.4
Residential property price growth	(2.0)	1.2	3.6	4.8	5.6
Commercial property price growth	(4.4)	0.3	1.3	1.5	2.2
Exchange rate (South African Rand:US Dollar)	16.6	14.5	14.4	14.2	14.3

The below depicts the historic and forecasted South African GDP and peak to trough measurements from base case, lite down case, and severe down case scenarios.

March 2020 – 2025 Peak to trough %	Base case	Lite down	Severe down
South Africa			
GDP	(10.9)	(13.0)	(14.8)
Residential property prices	(3.3)	(3.9)	(6.3)
Commercial property prices	(5.8)	(10.7)	(23.3)

South African GDP forecast



Macro-economic sensitivities

Following the COVID-19 pandemic, a management ECL overlay of R190 million and updated macro-economic scenarios were considered the most appropriate way to capture the worsened economic environment given the significant levels of uncertainty and lack of supportable economic information to produce robust forecasts. The expected impact from COVID-19 as well as the offsetting effect of government measures require some level of judgement. Given this background, the fast-changing nature of the crisis and the government measures announced, which are not easily quantifiable in economic scenarios; we will continue to review and refine our approach to economic scenarios given the evolving situation and significant uncertainty faced with respect to the economic outlook.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk include:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making
- Portfolio reviews and stress testing.

Within the credit approval process, internal and external ratings are included in the assessment of client quality.

A large proportion of the bank's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available to support our decision-making process.

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives and the boards through DLC BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction.

Portfolio reviews and stress testing are undertaken on all material businesses, where the exposures are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients as well as other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

- **Core loans and advances:** The majority of credit and counterparty risk is through core loans and advances, which account for the material ECL allowances across our portfolio, which are detailed on pages 67 to 74
- **Treasury function:** There are also certain exposures, outside of core loans and advances where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally and are typically investment grade rated.

  In addition, credit and counterparty risk arises through the following exposures:

- **Customer trading activities to facilitate hedging client risk positions:** our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular, where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked-to-market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK and European residential mortgages. The bonds are typically highly rated (single 'A' and above), which benefit from a high level of credit subordination and can withstand a significant level of portfolio default
- **Debt Securities:** From time-to-time, we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise from knowledge of the corporate market and are based on our analysis of the credit fundamentals
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary investment management services. Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, monitored daily, and trades are usually settled within two to three days.

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which the bank seeks to decrease the credit risk associated with an exposure. The bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has a charge over assets, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

Investec Limited has limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation.

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued and assists the bank to recover outstanding exposures.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property; its location; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Lending against investment portfolios is typically geared at conservative loan-to-value ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. The primary market standard legal documents that govern this include the International Swaps and Derivatives Association Master Agreements (ISDA), Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives the credit committee may require a Credit Support Annex (CSA) to ensure that marked-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement.

Set-off has been applied between assets, subject to credit risk and related liabilities in the annual financial statements, where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Further information on credit derivatives is provided on page 82.

The group endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function of the group ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which Investec operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

Credit and counterparty risk year in review

The current macro-economic environment remains challenging and volatile in the period under review. Growth in the lending activities has slowed given the subdued business and economic outlook. However, we have maintained a conservative lending approach. Our lending appetite is based on a client-centric approach with a strong focus on client cash flows underpinned by tangible collateral.

Underlying core assets continue to perform well. We have growth in the net core loans of 6.5% to R288.9 billion (31 March 2019: R271.2 billion) with growth in the high net worth and specialised lending portfolio partially offset by subdued corporate client activity.

Asset quality metrics before the COVID-19 pandemic reflected the solid performance of core loans. Pre COVID-19, the credit loss ratio was calculated at 0.21% for 31 March 2020 (31 March 2019: 0.28%) however taking into account the impact of COVID-19 and the South African sovereign downgrades the credit loss ratio was 0.36%, largely reflecting a deterioration in macro-economic scenario forecasts.

Stage 2 exposures totalled R15.3 billion and have increased as a proportion of gross core loans subject to ECL to 5.3% at 31 March 2020 (31 March 2019: 4.0%). Stage 3 exposures totalled R4.5 billion at 31 March 2020 or 1.5% of gross core loans subject to ECL (31 March 2019: 1.4%). Stage 3 exposures had an ECL coverage ratio of 42.2%.

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled R588.3 billion at 31 March 2020. Cash and near cash balances amount to R147.2 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities.
There are Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 95.9% of overall ECLs.

The table below provides information on the group's gross core loans and advances.

An analysis of gross credit and counterparty exposures

R'million	**31 March 2020**	31 March 2019
Cash and balances at central banks	36 390	10 062
Loans and advances to banks	19 540	22 126
Non-sovereign and non-bank cash placements	14 045	12 208
Reverse repurchase agreements and cash collateral on securities borrowed	29 627	21 346
Sovereign debt securities	64 362	60 898
Bank debt securities	12 270	12 505
Other debt securities	17 348	13 586
Derivative financial instruments	16 256	5 521
Securities arising from trading activities	1 484	4 840
Loans and advances to customers	285 030	266 228
Own originated loans and advances to customers securitised	7 208	7 677
Other loans and advances	267	355
Other assets	1 773	2 822
Total on-balance sheet exposures	**505 600**	**440 174**
Guarantees	17 313	11 955
Committed facilities related to loans and advances to customers	56 024	55 970
Contingent liabilities, letters of credit and other	9 380	7 740
Total off-balance sheet exposures	**82 717**	**75 665**
Total gross credit and counterparty exposures	**588 317**	**515 839**

A further 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 31 March 2020 **R'million**	Total gross credit and counterparty exposure	of *which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	36 390	–	36 390	(1)	267	36 656
Loans and advances to banks	19 540	–	19 540	(4)	–	19 536
Non-sovereign and non-bank cash placements	14 045	545	13 500	(31)	–	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	29 627	18 249	11 378	(1)	–	29 626
Sovereign debt securities	64 362	6 883	57 479	(39)	–	64 323
Bank debt securities	12 270	289	11 981	(11)	–	12 259
Other debt securities	17 348	3 736	13 612	(18)	–	17 330
Derivative financial instruments	16 256	16 256	–	–	1 175	17 431
Securities arising from trading activities	1 484	1 484	–	–	8 882	10 366
Investment portfolio	–	–	–	–	16 564 *	16 564
Loans and advances to customers	285 030	23 153	261 877	(3 344)	–	281 686
Own originated loans and advances to customers securitised	7 208	–	7 208	(16)	–	7 192
Other loans and advances	267	–	267	(25)	–	242
Other securitised assets	–	–	–	–	497 ^^	497
Interest in associated undertakings	–	–	–	–	6 924	6 924
Deferred taxation assets	–	–	–	–	2 996	2 996
Other assets	1 773	–	1 773	(1)	11 073 **	12 845
Property and equipment	–	–	–	–	3 093	3 093
Investment properties	–	–	–	–	19 137	19 137
Goodwill	–	–	–	–	219	219
Intangible assets	–	–	–	–	318	318
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	–	–	–	780	780
Non-current assets classified as held for resale	–	–	–	–	1 305	1 305
Total on-balance sheet exposures	**505 600**	**70 595**	**435 005**	**(3 491)**	**73 230**	**575 339**
Guarantees	17 313	–	17 313	(16)	978	18 275
Committed facilities related to loans and advances to customers	56 024	–	56 024	(48)	–	55 976
Contingent liabilities, letters of credit and other	9 380	4 642	4 738	–	14 993	24 373
Total off-balance sheet exposures	**82 717**	**4 642**	**78 075**	**(64)**	**15 971**	**98 624**
Total exposures	**588 317**	**75 237**	**513 080**	**(3 555)**	**89 201**	**673 963**

^ *ECLs include R48 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. 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.*

At 31 March 2019 R'million	Total gross credit and counterparty exposure	of *which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	10 062	–	10 062	(8)	236	10 290
Loans and advances to banks	22 126	–	22 126	(1)	–	22 125
Non-sovereign and non-bank cash placements	12 208	611	11 597	(16)	–	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	21 346	9 870	11 476	–	–	21 346
Sovereign debt securities	60 898	9 053	51 845	(23)	–	60 875
Bank debt securities	12 505	277	12 228	(7)	–	12 498
Other debt securities	13 586	2 589	10 997	(11)	–	13 575
Derivative financial instruments	5 521	5 521	–	–	2 215	7 736
Securities arising from trading activities	4 840	4 840	–	–	15 239	20 079
Investment portfolio	–	–	–	–	10 070 *	10 070
Loans and advances to customers	266 228	16 130	250 098	(2 691)	–	263 537
Own originated loans and advances to customers securitised	7 677	–	7 677	(10)	–	7 667
Other loans and advances	355	–	355	(26)	–	329
Other securitised assets	–	–	–	–	294 ^^	294
Interest in associated undertakings	–	–	–	–	6 284	6 284
Deferred taxation assets	–	–	–	–	1 890	1 890
Other assets	2 822	–	2 822	(90)	11 549 **	14 281
Property and equipment	–	–	–	–	3 043	3 043
Investment properties	–	–	–	–	18 425	18 425
Goodwill	–	–	–	–	211	211
Intangible assets	–	–	–	–	418	418
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	–	–	–	154 477	154 477
Total on-balance sheet exposures	**440 174**	**48 891**	**391 283**	**(2 883)**	**224 351**	**661 642**
Guarantees	11 955	–	11 955	(6)	1 066	13 015
Committed facilities related to loans and advances to customers	55 970	35	55 935	(33)	–	55 937
Contingent liabilities, letters of credit and other	7 740	2 604	5 136	–	14 375	22 115
Total off-balance sheet exposures	**75 665**	**2 639**	**73 026**	**(39)**	**15 441**	**91 067**
Total exposures	**515 839**	**51 530**	**464 309**	**(2 922)**	**239 792**	**752 709**

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

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2020 R'million	High net worth and profes-sional individuals	Lending collateralised by property - to largely private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
Cash and balances at central banks	–	–	–	–	36 390	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	1 101	–	–	1 226
Reverse repurchase agreements and cash collateral on securities borrowed	170	–	–	–	–	12
Sovereign debt securities	–	–	–	–	64 362	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	2 547	–	630
Derivative financial instruments	–	–	353	517	–	426
Securities arising from trading activities	–	–	–	80	299	–
Loans and advances to customers	141 165	49 367	2 755	7 884	4 011	8 179
Own originated loans and advances to customers securitised	7 208	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–
Other assets	–	–	–	–	1 660	2
Total on-balance sheet exposures	**148 543**	**49 367**	**4 209**	**11 028**	**106 722**	**10 475**
Guarantees	4 189	2 365	32	1 232	–	81
Committed facilities related to loans and advances to customers	38 304	4 614	542	1 451	200	672
Contingent liabilities, letters of credit and other	2 747	1 529	1	537	1 428	–
Total off-balance sheet exposures	**45 240**	**8 508**	**575**	**3 220**	**1 628**	**753**
Total gross credit and counterparty exposures	**193 783**	**57 875**	**4 784**	**14 248**	**108 350**	**11 228**

Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	**Total**
–	–	–	–	–	–	–	–	–	–	36 390
19 540	–	–	–	–	–	–	–	–	–	19 540
2 051	3 325	2 495	323	841	–	468	25	1 217	973	14 045
28 381	6	–	–	223	–	92	–	743	–	29 627
–	–	–	–	–	–	–	–	–	–	64 362
12 270	–	–	–	–	–	–	–	–	–	12 270
8 804	25	1 508	–	1 619	–	–	–	883	1 332	17 348
11 797	16	383	–	1 547	–	865	122	80	150	16 256
423	43	371	–	–	–	68	–	74	126	1 484
22 585	5 543	8 527	1 317	13 545	–	2 507	3 111	7 798	6 736	285 030
–	–	–	–	–	–	–	–	–	–	7 208
–	–	68	–	–	199	–	–	–	–	267
34	66	11	–	–	–	–	–	–	–	1 773
105 885	**9 024**	**13 363**	**1 640**	**17 775**	**199**	**4 000**	**3 258**	**10 795**	**9 317**	**505 600**
5 080	1 319	2 375	15	64	–	164	310	–	87	17 313
2 861	959	1 267	167	640	–	2 049	203	934	1 161	56 024
560	18	105	5	7	3	710	–	31	1 699	9 380
8 501	**2 296**	**3 747**	**187**	**711**	**3**	**2 923**	**513**	**965**	**2 947**	**82 717**
114 386	**11 320**	**17 110**	**1 827**	**18 486**	**202**	**6 923**	**3 771**	**11 760**	**12 264**	**588 317**

At 31 March 2019 **R'million**	High net worth and profes-sional individuals	Lending collateralised by property - to largely private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
Cash and balances at central banks	–	–	–	–	10 062	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	1 267	–	41	1 567
Reverse repurchase agreements and cash collateral on securities borrowed	524	–	–	–	–	–
Sovereign debt securities	–	–	–	–	60 898	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	2 625	–	881
Derivative financial instruments	–	–	56	853	9	48
Securities arising from trading activities	–	–	–	80	4 695	–
Loans and advances to customers	131 940	46 965	2 878	7 670	3 396	10 015
Own originated loans and advances to customers securitised	7 677	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–
Other assets	–	–	16	–	–	52
Total on-balance sheet exposures	**140 141**	**46 965**	**4 217**	**11 228**	**79 101**	**12 563**
Guarantees	4 040	979	–	1 745	1	946
Committed facilities related to loans and advances to customers	34 304	4 225	1 741	673	571	1 569
Contingent liabilities, letters of credit and other	3 171	1 727	1	434	1 157	13
Total off-balance sheet exposures	**41 515**	**6 931**	**1 742**	**2 852**	**1 729**	**2 528**
Total gross credit and counterparty exposures	**181 656**	**53 896**	**5 959**	**14 080**	**80 830**	**15 091**

Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	**Total**
–	–	–	–	–	–	–	–	–	–	10 062
22 126	–	–	–	–	–	–	–	–	–	22 126
1 865	1 513	2 613	338	479	–	616	27	586	1 296	12 208
20 013	–	–	–	42	–	–	60	707	–	21 346
–	–	–	–	–	–	–	–	–	–	60 898
12 505	–	–	–	–	–	–	–	–	–	12 505
4 554	–	1 514	–	1 595	–	146	–	837	1 434	13 586
3 815	7	106	–	401	–	160	19	15	32	5 521
1	–	–	–	–	–	–	–	64	–	4 840
20 790	3 809	7 141	1 364	9 022	–	3 561	2 988	7 781	6 908	266 228
–	–	–	–	–	–	–	–	–	–	7 677
–	–	109	–	–	246	–	–	–	–	355
–	2 117	485	46	–	–	9	63	2	32	2 822
85 669	**7 446**	**11 968**	**1 748**	**11 539**	**246**	**4 492**	**3 157**	**9 992**	**9 702**	**440 174**
666	1 067	1 380	230	56	–	412	22	124	287	11 955
4 610	1 014	1 031	50	1 276	–	1 495	1 016	1 874	521	55 970
50	118	28	17	10	–	1	–	–	1 013	7 740
5 326	**2 199**	**2 439**	**297**	**1 342**	**–**	**1 908**	**1 038**	**1 998**	**1 821**	**75 665**
90 995	**9 645**	**14 407**	**2 045**	**12 881**	**246**	**6 400**	**4 195**	**11 990**	**11 523**	**515 839**

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2020 **R'million**	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	**Total**
Cash and balances at central banks	36 390	–	–	–	–	–	36 390
Loans and advances to banks	17 877	351	1 013	299	–	–	19 540
Non-sovereign and non-bank cash placements	14 045	–	–	–	–	–	14 045
Reverse repurchase agreements and cash collateral on securities borrowed	21 859	2 792	66	4 139	771	–	29 627
Sovereign debt securities	13 243	9 657	9 021	8 668	19 231	4 542	64 362
Bank debt securities	698	–	754	4 742	6 076	–	12 270
Other debt securities	232	770	2 186	9 354	1 957	2 849	17 348
Derivative financial instruments	5 391	3 800	2 885	4 174	6	–	16 256
Securities arising from trading activities	31	24	78	488	234	629	1 484
Loans and advances to customers	27 174	19 234	30 881	157 821	33 105	16 815	285 030
Own originated loans and advances to customers securitised	–	2	2	39	716	6 449	7 208
Other loans and advances	267	–	–	–	–	–	267
Other assets	1 773	–	–	–	–	–	1 773
Total on-balance sheet exposures	**138 980**	**36 630**	**46 886**	**189 724**	**62 096**	**31 284**	**505 600**
Guarantees	1 499	745	3 734	7 689	3 449	197	17 313
Committed facilities related to loans and advances to customers	15 741	1 099	1 682	12 465	3 753	21 284	56 024
Contingent liabilities, letters of credit and other	994	293	889	5 405	708	1 091	9 380
Total off-balance sheet exposures	**18 234**	**2 137**	**6 305**	**25 559**	**7 910**	**22 572**	**82 717**
Total gross credit and counterparty exposures	**157 214**	**38 767**	**53 191**	**215 283**	**70 006**	**53 856**	**588 317**

Composition of core loans and advances

R'million	31 March 2020	31 March 2019
Loans and advances to customers per the balance sheet	281 686	263 537
Add: own originated loans and advances to customers per the balance sheet	7 192	7 667
Net core loans and advances	**288 878**	**271 204**
*of which subject to ECL**	286 494	269 158
Net core loans and advances at amortised cost	265 792	255 102
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	20 702	14 056
of which FVPL (excluding fixed rate loans above)	2 384	2 046
Add: ECL	3 360	2 701
Gross core loans and advances	**292 238**	**273 905**
*of which subject to ECL**	289 854	271 859
of which FVPL (excluding fixed rate loans above)	2 384	2 046

^ *These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost. The drawn exposure (R21 billion) falls predominantly into Stage 1 (consistent throughout the period) (31 March 2019: R14 billion). The ECL on the portfolio is R67 million (31 March 2019: R29 million).*

* *Refer to definitions on page 279*

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

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

Stage 1: 93.2% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12-month expected credit loss.

Stage 2: 5.3% of gross exposure is in Stage 2 and has seen a significant increase in credit risk since origination. These assets require a lifetime expected loss to be held resulting in an increase in coverage to 2.8%. Only R1.3 billion or 0.4% of gross core loans shown in Stage 2 are greater than 30 days past due. R1.1 billion or 7.2% of Stage 2 have been categorised as such due to a significant model driven increase in credit risk since origination. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 1.5% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. Coverage ratio totals 42.2% and the remaining net exposure is considered well covered by collateral. Stage 3 ECL is predominantly driven by specific impairments raised against the non-performing loan portfolio.

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

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

R'million	**31 March 2020**	31 March 2019
Gross core loans and advances subject to ECL	**289 854**	**271 859**
Stage 1	270 105	257 297
Stage 2	15 289	10 768
of which past due greater than 30 days	*1 297*	*354*
Stage 3	4 460	3 794
Gross core loans and advances subject to ECL (%)		
Stage 1	93.2%	94.6%
Stage 2	5.3%	4.0%
Stage 3	1.5%	1.4%

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

R'million	**31 March 2020**	31 March 2019
ECL impairment charges on core loans and advances	(1 021)	(738)
Average gross core loans and advances subject to ECL	280 856	263 109
Credit loss ratio	**0.36%**	**0.28%**

R'million	**31 March 2020**	31 March 2019
ECL	**(3 360)**	**(2 701)**
Stage 1	(1 057)	(538)
Stage 2	(423)	(441)
Stage 3	(1 880)	(1 722)
Coverage ratio (%)		
Stage 1	0.4%	0.2%
Stage 2	2.8%	4.1%
Stage 3	42.2%	45.4%

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

R'million	31 March 2020	31 March 2019
Stage 3 net of ECL	2 580	2 072
Aggregate collateral and other credit enhancements on Stage 3	2 696	3 055
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	1.5%	1.4%
Total ECL as a % of Stage 3 exposure	75.3%	71.2%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.9%	0.8%

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

The table below indicates underlying movements in gross core loans and advances to customers subject to ECL from 31 March 2019 to 31 March 2020. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. There have been greater movements into Stage 2 and Stage 3 than in the previous year, mainly driven by select exposures across a few sectors in our loan book. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. The ECL impact of changes to risk parameters and models during the period largely relates to the R190 million COVID-19 ECL overlay as well as updated macro-economic scenarios. Foreign exchange and other category largely comprises impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2019. Further analysis as at 31 March 2020 of gross core loans and advances to customers subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 01 April 2018	**242 048**	**(593)**	**9 420**	**(269)**	**2 861**	**(1 115)**	**254 359**	**(1 977)**
Transfer from Stage 1	(6 940)	349	5 986	(101)	954	(248)	–	–
Transfer from Stage 2	4 716	(79)	(5 658)	119	942	(40)	–	–
Transfer from Stage 3	412	(66)	26	(5)	(439)	71	–	–
ECL re-measurement arising from transfer of stage	–	88	–	(109)	–	(512)	–	(533)
New lending net of repayments (includes assets written off)	15 912	(185)	664	(100)	(499)	67	16 077	(218)
Changes to risk parameters and models	–	(24)	–	24	–	–	–	–
Foreign exchange and other	1 148	(28)	300	–	(25)	55	1 423	27
At 31 March 2019	**257 297**	**(538)**	**10 768**	**(441)**	**3 794**	**(1 722)**	**271 859**	**(2 701)**
Transfer from Stage 1	(10 059)	19	8 156	(15)	1 903	(4)	–	–
Transfer from Stage 2	4 386	(59)	(4 878)	69	492	(10)	–	–
Transfer from Stage 3	384	(35)	60	(9)	(444)	44	–	–
ECL remeasurement arising from transfer of stage	–	80	–	59	–	(879)	–	(740)
New lending net of repayments (includes assets written off)	17 241	(34)	1 145	(1)	(1 292)	757	17 094	722
Changes to risk parameters and models	–	(488)	–	(85)	–	(57)	–	(630)
Foreign exchange and other	856	(2)	38	–	7	(9)	901	(11)
At 31 March 2020	**270 105**	**(1 057)**	**15 289**	**(423)**	**4 460**	**(1 880)**	**289 854**	**(3 360)**

An analysis of credit quality by internal rating grade

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

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

The internal credit rating distribution below is based on the 12-month PD at 31 March 2020 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2020 **R'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**128 099**	**145 509**	**11 786**	**4 460**	**289 854**
Stage 1	121 712	137 446	10 947	–	270 105
Stage 2	6 387	8 063	839	–	15 289
Stage 3	–	–	–	4 460	4 460
ECL	**(237)**	**(967)**	**(276)**	**(1 880)**	**(3 360)**
Stage 1	(98)	(793)	(166)	–	(1 057)
Stage 2	(139)	(174)	(110)	–	(423)
Stage 3	–	–	–	(1 880)	(1 880)
Coverage ratio	**0.2%**	**0.7%**	**2.3%**	**42.2%**	**1.2%**

At 31 March 2019 **R'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**153 269**	**95 193**	**19 603**	**3 794**	**271 859**
Stage 1	150 126	89 542	17 629	–	257 297
Stage 2	3 143	5 651	1 974	–	10 768
Stage 3	–	–	–	3 794	3 794
ECL	**(92)**	**(703)**	**(184)**	**(1 722)**	**(2 701)**
Stage 1	(59)	(358)	(121)	–	(538)
Stage 2	(33)	(345)	(63)	–	(441)
Stage 3	–	–	–	(1 722)	(1 722)
Coverage ratio	**0.1%**	**0.7%**	**0.9%**	**45.4%**	**1.0%**

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

Client quality and expertise are at the core of our credit philosophy. We provide senior debt and other funding for property transactions, with a strong preference for income producing assets supported by an experienced client providing a material level of cash equity investment into the asset. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality and income diversity for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan-to-security value ratios.

Year in review

The majority of the property assets are commercial investment properties and are located in South Africa. This portfolio grew by 6.1% to R39.7 billion at 31 March 2020 and is in line with our risk appetite. The forward looking macro-economic scenarios used in the measurement of ECL were updated to capture the wide-reaching impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient. The loan-to-value in this portfolio remains conservative and transactions are generally supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Commercial real estate	**43 464**	**(305)**	**1 315**	**(4)**	**543**	**(100)**	**45 322**	**(409)**	**–**	**45 322**
Commercial real estate – investment	38 249	(280)	1 305	(4)	542	(99)	40 096	(383)	–	40 096
Commercial real estate – development	4 369	(21)	–	–	–	–	4 369	(21)	–	4 369
Commercial vacant land and planning	846	(4)	10	–	1	(1)	857	(5)	–	857
Residential real estate	**3 974**	**(33)**	**51**	**(2)**	**20**	**(10)**	**4 045**	**(45)**	**–**	**4 045**
Residential real estate – development	3 353	(24)	31	–	–	–	3 384	(24)	–	3 384
Residential vacant land and planning	621	(9)	20	(2)	20	(10)	661	(21)	–	661
Total lending collateralised by property	**47 438**	**(338)**	**1 366**	**(6)**	**563**	**(110)**	**49 367**	**(454)**	**–**	**49 367**
Coverage ratio	**0.71%**		**0.44%**		**19.54%**		**0.92%**			
At 31 March 2019										
Commercial real estate	**39 682**	**(63)**	**2 423**	**(25)**	**1 116**	**(351)**	**43 221**	**(439)**	**94**	**43 315**
Commercial real estate – investment	35 494	(49)	1 132	(17)	1 021	(256)	37 647	(322)	94	37 741
Commercial real estate – development	3 604	(11)	1 288	(8)	–	–	4 892	(19)	–	4 892
Commercial vacant land and planning	584	(3)	3	–	95	(95)	682	(98)	–	682
Residential real estate	**2 859**	**(44)**	**531**	**(11)**	**260**	**(150)**	**3 650**	**(205)**	**–**	**3 650**
Residential real estate – development	2 266	(20)	482	(9)	208	(105)	2 956	(134)	–	2 956
Residential vacant land and planning	593	(24)	49	(2)	52	(45)	694	(71)	–	694
Total lending collateralised by property	**42 541**	**(107)**	**2 954**	**(36)**	**1 376**	**(501)**	**46 871**	**(644)**	**94**	**46 965**
Coverage ratio	**0.25%**		**1.22%**		**36.41%**		**1.37%**			

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

Our private banking activities target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

Lending products are tailored to meet the requirements of our clients and delivers solutions to enable target clients to create and manage their wealth. This includes private client mortgages, transactional banking, high net worth lending, offshore banking and foreign exchange. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- **Mortgages:** provides mortgage loan facilities to high net worth individuals and high-income professionals tailored to their individual needs
- **High net worth and specialised lending:** provides tailored credit facilities to high net worth individuals and their controlled entities as well as portfolio loans to high net worth clients against their investment portfolio typically managed by Investec Wealth & Investment.

Year in review

We have seen continued growth in our private client portfolio and client base as we actively focus on our business strategy to increase our positioning in this space. Our high net worth client portfolio and residential mortgage book grew by 6.1% to R147.1 billion at 31 March 2020. Growth in both of these areas has been achieved with strong adherence to our risk appetite. The high net worth portfolio continues to demonstrate resilience under COVID-19 conditions, accessing financial resources at their disposal where appropriate.

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Mortgages	76 473	(93)	2 454	(56)	1 204	(290)	80 131	(439)	–	80 131
High net worth and specialised lending	65 682	(261)	2 061	(126)	499	(421)	68 242	(808)	–	68 242
Total high net worth and other private client lending	**142 155**	**(354)**	**4 515**	**(182)**	**1 703**	**(711)**	**148 373**	**(1 247)**	**–**	**148 373**
Coverage ratio	**0.25%**		**4.03%**		**41.75%**		**0.84%**			
At 31 March 2019										
Mortgages	70 282	(86)	2 333	(61)	1 098	(245)	73 713	(392)	–	73 713
High net worth and specialised lending	64 693	(134)	671	(23)	540	(456)	65 904	(613)	–	65 904
Total high net worth and other private client lending	**134 975**	**(220)**	**3 004**	**(84)**	**1 638**	**(701)**	**139 617**	**(1 005)**	**–**	**139 617**
Coverage ratio	**0.16%**		**2.8%**		**42.8%**		**0.72%**			

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

We focus on traditional client-driven corporate lending activities. Within the corporate lending businesses, credit risk can arise from corporate loans, acquisition finance, asset finance, power and infrastructure finance, asset-based lending, fund finance and resource finance. We also undertake debt origination activities for corporate clients.

The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where they are deemed appropriate.

The group has limited appetite for unsecured credit risk and facilities are typically secured on the assets of the underlying borrower as well as shares in the borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is mainly in South Africa where Investec can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to fund vehicles which are secured against undrawn limited partner commitments and/or the funds underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-large cap companies where credit risk is typically considered with respect to robust cash generation from an underlying asset and supported by performance of the overall business based on both historical and forecast information
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases (including motor vehicles) and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed
- **Large ticket asset finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure
- **Power and infrastructure finance:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is normally a requirement for a strong upfront equity contribution from an experienced sponsor.

Year in review

Corporate client and other lending increased by 7.6% to R92.8 billion as at 31 March 2020 as a result of increased lending activity by our mid-to-large corporate clients across a number of sectors. Growth has been well diversified across several asset classes and industries. Our SOE exposure is predominantly backed by government support.

As a result of the COVID-19 pandemic, we continue to monitor developments closely, in particular the sub-sectors most affected to date which include the aviation portfolio due to the temporary shutdown of this industry and trade finance as a result of decreased import activity as well as rate fluctuations due to global instability.

The aviation portfolio reported under both 'large ticket asset finance' and 'other corporate and financial institutions and governments', totals R4.4 billion of gross core loans at 31 March 2020. There is no unsecured corporate exposure to the airline industry. The majority of the exposure is either senior secured on aircraft with conservative loan to value ratios.

The trade finance exposure reported under asset-based lending totals R4.5 billion of gross core loans at 31 March 2020, the majority of the exposure is largely secured and covered by a credit guarantee.

The government schemes announced are expected to directly support the clients within this business as well as in other areas of corporate and other lending.

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Acquisition finance	11 110	(36)	823	(32)	82	(19)	12 015	(87)	–	12 015
Asset-based lending	6 122	(44)	803	(28)	1 136	(951)	8 061	(1 023)	–	8 061
Fund finance	8 408	(26)	–	–	–	–	8 408	(26)	–	8 408
Other corporate and financial institutions and governments	46 115	(239)	6 160	(164)	648	(89)	52 923	(492)	2 384	55 307
Asset finance	3 288	(6)	42	–	328	–	3 658	(6)	–	3 658
Small ticket asset finance	1 953	(2)	42	–	–	–	1 995	(2)	–	1 995
Large ticket asset finance	1 335	(4)	–	–	328	–	1 663	(4)	–	1 663
Power and infrastructure finance	5 430	(14)	1 481	(11)	–	–	6 911	(25)	–	6 911
Resource finance	39	–	99	–	–	–	138	–	–	138
Total corporate and other lending	**80 512**	**(365)**	**9 408**	**(235)**	**2 194**	**(1 059)**	**92 114**	**(1 659)**	**2 384**	**94 498**
Coverage ratio	**0.45%**		**2.5%**		**48.27%**		**1.8%**			
At 31 March 2019										
Acquisition finance	12 889	(34)	276	(2)	29	(1)	13 194	(37)	–	13 194
Asset-based lending	5 628	(26)	53	(2)	283	(188)	5 964	(216)	–	5 964
Fund finance	5 090	(8)	–	–	–	–	5 090	(8)	–	5 090
Other corporate and financial institutions and governments	46 699	(128)	2 671	(305)	460	(331)	49 830	(764)	1 952	51 782
Asset finance	3 844	(5)	18	(1)	8	–	3 870	(6)	–	3 870
Small ticket asset finance	1 962	(1)	18	(1)	8	–	1 988	(2)	–	1 988
Large ticket asset finance	1 882	(4)	–	–	–	–	1 882	(4)	–	1 882
Power and infrastructure finance	5 076	(9)	1 792	(11)	–	–	6 868	(20)	–	6 868
Resource finance	555	(1)	–	–	–	–	555	(1)	–	555
Total corporate and other lending	**79 781**	**(211)**	**4 810**	**(321)**	**780**	**(520)**	**85 371**	**(1 052)**	**1 952**	**87 323**
Coverage ratio	**0.26%**		**6.67%**		**66.67%**		**1.23%**			

Investment risk in the banking book

Investment risk description

Investment risk in the banking book arises primarily from the following activities conducted within the group:

- **Principal investments:** Principal Investments focuses on providing capital to entrepreneurs and management teams to further their growth ambitions and leveraging third party capital into funds that are relevant to our client base. This is achieved through working together with our franchise businesses, private capital and specialised finance. Investments are selected based on:
  - The track record of management;
  - Attractiveness of the industry and the positioning therein;
  - Valuation/pricing fundamentals;
  - Environmental and sustainability analyses;
  - Exit possibilities and timing thereof; and
  - The ability to build value by implementing an agreed strategy.

  Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments.
- **IEP Group:** Investec Bank Limited holds a 47.4% stake alongside third party investors and senior management of an business who hold the remaining 52.6%. The investment in the IEP Group is reflected as an investment in an associate.
- **Lending transactions:** The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly in unlisted companies
- **Property activities:** We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- **Ninety One:** Investec has a 9% shareholding in Ninety One (previously known as Investec Asset Management). As a founding shareholder of Ninety One, the boards of both Investec and Ninety One believe that it is appropriate for Investec 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 Investec to participate in future value creation by Ninety One. Refer to page 7 and 8 for further detail.

Management of investment risk

As investment risk arises from a variety of activities conducted by the group, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of investment risk	*Management of risk*
Principal Investments	Investment committees, IBL BRCC and DLC BRCC
Listed equities	Investment committees, market risk management, IBL BRCC and DLC BRCC
Profit shares and investments arising from lending transactions	Credit risk management committees, IBL BRCC and DLC BRCC
Investment and trading properties	Investment committees, Investec Property group investment committee, IBL BRCC and DLC BRCC
IEP Group	A number of our executives are on the board of the IEP Group, IBL BRCC and DLC BRCC

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets as well as stress testing scenario analysis are performed and reported to IBL BRCC. The portfolios are mainly made up of South African assets and industry, concentration risk is well spread.

Summary of investments held and stress testing analyses

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

R'million	**On-balance sheet value of investments 31 March 2020**	**Valuation change stress test 31 March 2020 ***	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments**^	6 421	963	5 799	870
Listed equities	2 544	636	3 034	758
Investment and trading properties^	7 390	809	8 866	1 159
Warrants and profit shares	–	–	174	60
The IEP Group	5 611	842	6 184	928
Ninety One^^	2 769	n/a	–	–
Total	**24 735**	**3 250**	**24 057**	**3 775**

* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied.*

** *Includes the fair value loans investments of R2.6 billion (31 March 2019: R1.6 billion to reflect our economic ownership as explained above. Previously disclosed as R2.8 billion ignoring economic ownership).*

^ *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 2019: 26.6%).*

^^ *Investec Limited has a 9.0% 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.*

Stress test values applied	
Unlisted investments and the IEP Group	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information at 31 March 2020, as reflected above, we could have a R3.3 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.

To date our experience through the COVID-19 pandemic has been that certain exposures have been negatively impacted for idiosyncratic reasons, albeit the small listed equities book at 31 March 2020 was impacted substantially due to the significant global share price falls during March 2020. Stress testing is not considered to be relevant for Ninety One given the strategic nature of the investments and the limited impact share price movements would have on the group's capital given the regulatory capital treatment applied.

Capital requirements

In terms of Basel III capital requirements for the group, unlisted and listed equities within the banking book are represented under the category of equity risk and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

Refer to page 105 for further detail.

Valuation and accounting methodologies

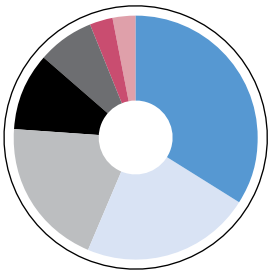
For a description of our valuation principles and methodologies refer to pages 224 to 231 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 2.1% of total assets (excluding assurance assets).

Refer to page 224 for further information.

Additional information

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



31 MARCH 2020
R8 965 million

34.1%	Real estate
22.3%	Finance and insurance
19.8%	Manufacturing and commerce
10.4%	Communication
7.4%	Electricity, gas and water (utility service)
3.0%	Other
3.0%	Mining and Resources

Securitisation/structured credit activities exposures

Overview

The group's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on positions we hold in investor capacity and also include securitisation positions we have retained in transactions in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 60 for the balance sheet and credit risk classification.

The group applied the standardised approach in the assessment of regulatory capital for securitisation.

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

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

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

Total assets that have been originated and securitised by the Private Client division amount to R7.2 billion at 31 March 2020 (31 March 2019: R7.7 billion) and consist of residential mortgages.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.3 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.6 billion notes of the original R1.5 billion are still in issue. All of the notes are held internally
- Fox Street 3: R0.8 billion notes of the original R2.0 billion are still in issue. R794 million of the notes are held internally
- Fox Street 4: R1.4 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.7 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R1.1 billion notes of the original R1.3 billion are still in issue. R380 million of the notes are held internally.
- Fox Street 7: R1.1 billion notes of the original R1.1 billion are still in issue. R99 million of the notes are held internally

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

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated US corporate loans totalling R1.0 billion at 31 March 2020 (31 March 2020: nil), rated UK residential mortgage-backed securities (RMBS), totalling R0.8 billion at 31 March 2020 (31 March 2019: R0.2 billion), unrated South African RMBS totalling R1.6 billion at 31 March 2020 (31 March 2019: R1.1 billion) and unrated South Africa commercial mortgage backed securities (CMBS) totalling R20 million at 31 March 2020 (31 March 2019: R0.3 billion).

Accounting policies

Refer to pages 192 and 195.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with final approval typically required from the relevant credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the group's appetite for such exposures, and each exposure is considered relative to the group's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the group prefers to address and manage these risks by only approving exposures to which the group has explicit appetite through the constant and consistent application of the risk appetite policy.

In addition, securitisations of Investec Limited's own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 43.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk. Assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities. These assets are reflected on the balance sheet line item 'own originated loans and advances to customers securitised' totalling R7.2 billion at 31 March 2020 (31 March 2019: R7.7 billion)

Securitisation/structured credit activities exposures

Nature of exposure/activity	**Exposure 31 March 2020 R'million**	Exposure 31 March 2019 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	3 413	1 633	Other debt securities and other loans and advances	
Rated	1 754	167		
Unrated	1 659	1 466		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	175	220	Other loans and advances	
Private Client division assets which have been securitised (net exposure)	7 192	7 667	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans and advances as reflected on pages 67 to 74

Analysis of gross structured credit exposure

R'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
UK RMBS	–	796	–	–	–	–	796	–	796
US Corporate loans	–	958	–	–	–	–	958	–	958
South African RMBS	–	–	–	–	–	–	–	1 639	1 639
South African CMBS	–	–	–	–	–	–	–	20	20
Total at 31 March 2020	**–**	**1 754**	**–**	**–**	**–**	**–**	**1 754**	**1 659**	**3 413**
Total at 31 March 2019	**–**	**33**	**–**	**–**	**134**	**–**	**167**	**1 466**	**1 633**

Market risk in the trading book

Traded market risk description

Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses.

Traded market risk profile

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

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have an independent market risk team to identify, measure, monitor and manage market risk. This team reports into risk management where limits are approved, managed and monitored.

The market risk team has reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBL BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk by the Market Risk Forum, IBL Review ERRF or IBL ERC in accordance with the risk appetite defined by the board. Limit reviews approved at review ERRF and IBL ERC and any significant changes in risk limit's would then be taken to GRRRMF for review and approval. The appropriateness of limits is continually re-assessed, with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- Scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- Sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Stress and scenario analyses are used to add insight into the possible outcomes under severe market disruptions. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk. Stress scenarios based on historical experience as well as hypothetical scenarios are considered and are reviewed regularly for relevance in ever-changing market environments. Stress scenarios are run daily with analysis presented to IBL review ERRF weekly and IBL BRCC when the committees meet or more often should market conditions require this.

Traded market risk management, monitoring and control

Market risk limits are set according to guidelines set out in our risk appetite policy. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Current market conditions as well as stressed market conditions are taken into account when setting and reviewing these limits.

Market risk teams review the market risks in the trading book with detailed risk reports produced daily for each trading desk and for the aggregate risk of the trading book. The material risks identified are summarised in daily reports that are distributed to, and discussed with senior management when required. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Documented policies and procedures are in place to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation by market risk ensuring models used for valuation and risk are validated independently of the front office.

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from past time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model used is based on full revaluation historical simulation and incorporates the following features:

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available, and the resultant one-day VaR is scaled up using the square root of time method for regulatory purposes
- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

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

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

	31 March 2020				**31 March 2019**			
R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
95% one-day VAR								
Commodities	0.1	0.1	0.3	–	0.1	0.1	0.4	–
Equities	5.8	4.2	8.1	3.0	3.8	3.6	7.5	1.5
Foreign exchange	1.3	2.2	6.5	0.7	1.4	2.1	6.5	0.9
Interest rates	2.9	2.3	5.4	0.8	1.2	2.1	9.0	0.4
Consolidated*	**6.9**	**5.3**	**10.0**	**3.4**	**3.8**	**4.7**	**9.7**	**1.7**

* *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.*

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.

R'million	**31 March 2020 Year end**	31 March 2019 Year end
95% one-day ES		
Commodities	0.1	0.2
Equities	8.4	7.1
Foreign exchange	1.6	2.2
Interest rates	5.9	1.7
Consolidated*	**10.8**	**6.6**

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

Stressed VaR

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

R'million	**31 March 2020 Year end**	31 March 2019 Year end
99% one-day sVaR	**24.9**	**9.5**

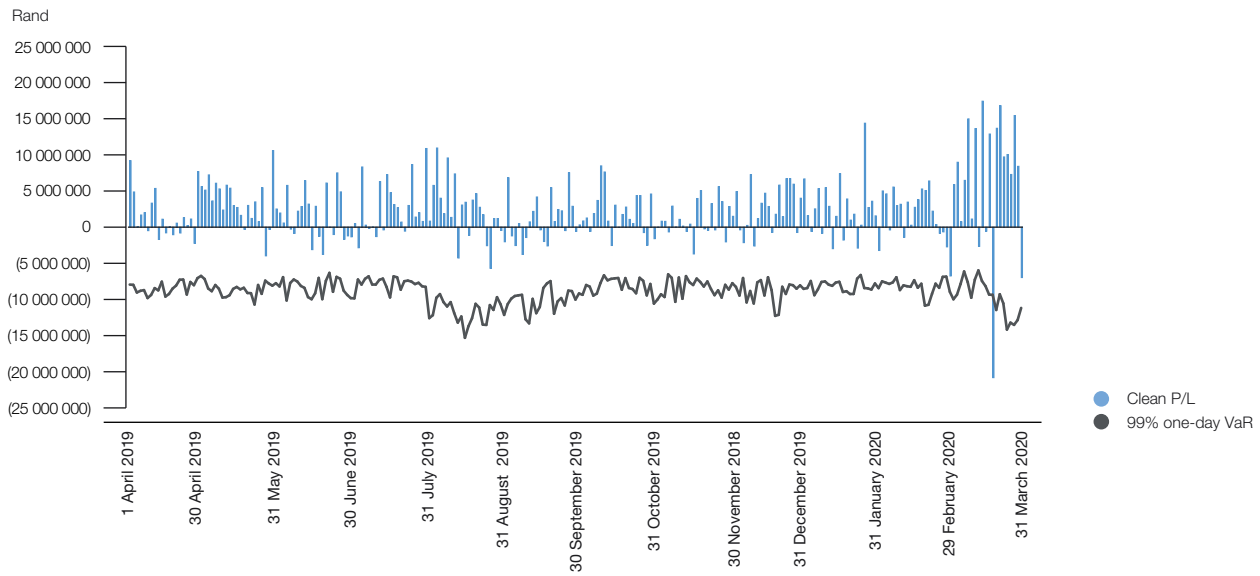
Backtesting

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

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

Average 95% VaR for the year ended 31 March 2020 in the South African trading book was higher than the previous year. The graph below is based on clean profit and loss, which excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions, resulted in one exception, which is below the expected number of two to three exceptions as implied by the 99% VaR model. The exception was as a result of significant increase in market volatility at the end of the financial year.

99% one-day VaR backtesting



Stress testing

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

	31 March 2020				31 March 2019			
R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
using 99% EVT								
Commodities	0.6	0.5	1.8	0.1	1.4	1.2	2.8	0.2
Equities	31.7	18.9	69.9	7.0	25.6	20.7	48.2	4.8
Foreign exchange	3.4	6.3	15.5	2.1	8.9	20.4	48.5	3.1
Interest rates	25.8	8.3	32.7	2.1	3.9	11.4	50.8	0.9
Consolidated#	**40.6**	**20.7**	**82.4**	**8.6**	**18.0**	**25.5**	**52.0**	**5.7**

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.

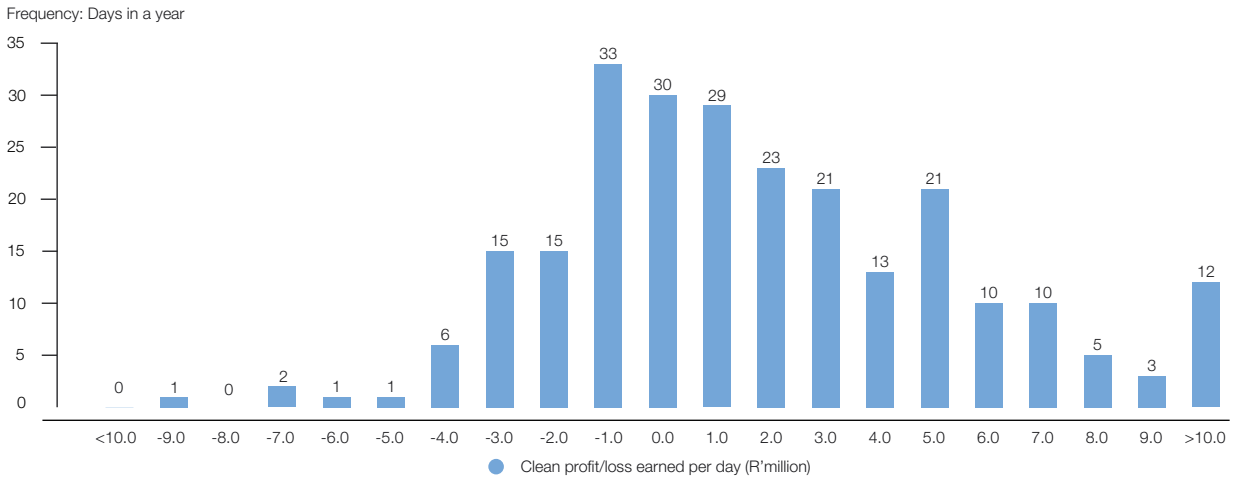
Capital

We have internal model approval from the South African PA for general market risk for our trading businesses and accordingly trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR together with standardised specific risk capital for issuer risk.

Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 177 days out of a total of 251 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2020 was R2.4 million (31 March 2019: R2.0 million).

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



Traded market risk year in review

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses and adversely affected trading revenue. The primary focus of the trading desks remains to manage and hedge the market risk arising from all client related activity.

Trading conditions remained challenging, dominated by local and global policy uncertainty. South Africa's credit rating was under the spotlight for most of the year, which ultimately lead to a sovereign downgrade in March by Moody's. The JSE was down 21% year-on-year, while the Rand has depreciated by 23% year-on-year against the US dollar. Against this challenging economic backdrop, the trading desks have performed well, primarily focusing on client facilitation whilst maintaining low levels of open risk.

Utilisation of risk limits have remained moderate and the desks have remained prudent during the year.

Market risk – derivatives

The group enters into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, interest rates, commodity, equity and interest rate exposures and to a small extent as principal for trading purposes. These include financial futures, options, swaps and forward rate agreements.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 238.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

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.

Balance sheet risk governance structure and risk mitigation

Under delegated authority of the respective boards, the group has established ALCOs within each banking entity, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

ALCOs meet on at least a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Treasury function within each banking entity is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The Treasury function, by banking entity, is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the board-approved risk appetite limits. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the Treasury function.

The Treasury function directs pricing for all deposit products, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions. The Treasury function is the sole interface to the wholesale money market for both cash and derivative transactions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

Balance sheet risk management teams are based within group risk management in their relevant regions, and are responsible for identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the bank's policies.

There is a regular audit of the balance sheet risk management function, the frequency of which is determined by Investec's Audit committees.

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, Review ERRF, ERC IBL BRCC and DLC BRCC as well as summarised reports for board meetings.

Liquidity risk

Liquidity risk description

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

Liquidity risk is further broken down into:

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

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk:

- Our liquidity management processes encompass requirements set out within Basel Committee on Banking Supervision (BCBS) guidelines and by the regulatory authorities in each jurisdiction, namely the South African PA and Bank of Mauritius (BOM)
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. These include:

- Internal 'survival horizon' metric which models how many days it takes before the bank's cash position turns negative under an internally defined worst-case liquidity stress;
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions;
- An array of further liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the bank's balance sheet;
- Contractual run-off based actual cash flows with no modelling adjustments;
- Additional internally defined funding and balance sheet ratios; and
- Any other local regulatory requirements.

This suite of metrics ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand a range of liquidity stresses or market disruptions.

The parameters used in stress scenarios are reviewed at least annually, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event so as to maintain sufficient liquidity and to continue to operate for a minimum period as detailed in the board-approved risk appetite.

We further carry out reverse stress tests to identify business model vulnerabilities which test 'tail risks' that can be missed in normal stress tests. The group has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the group's strong liquidity position, as it requires an extreme withdrawal of deposits combined with the inability to take any management actions to breach liquidity minima that threaten Investec's liquidity position.

The group operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis.

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

We acknowledge the importance of our retail deposit client base as the principal source of stable and well diversified funding. We continue to develop products to attract and service the investment needs of our client base.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business.

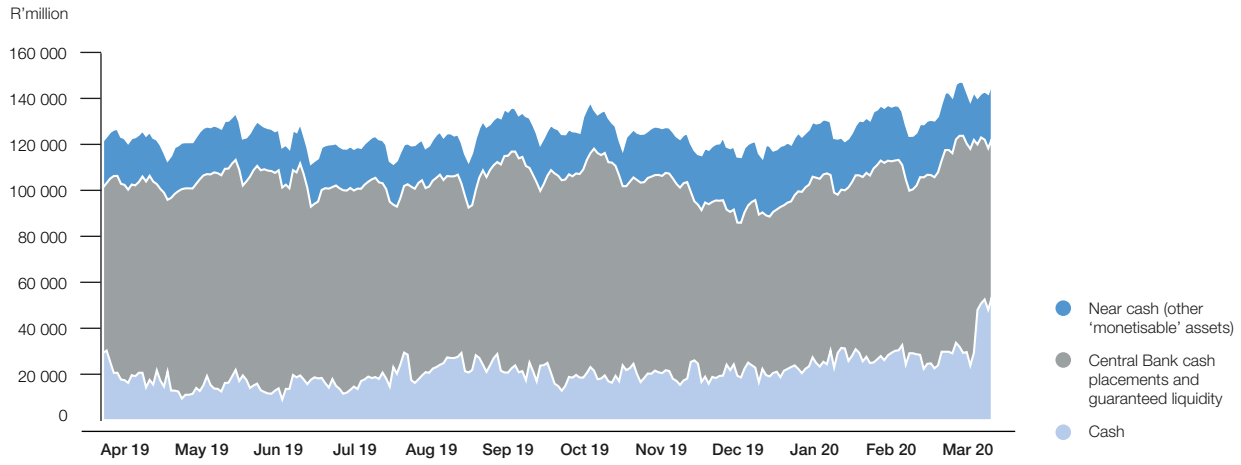
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, including operating environment, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

We remain confident in our ability to raise funding appropriate to our needs.

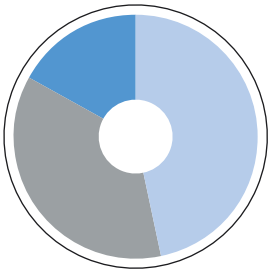
Liquidity buffer

To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection against disruptions in cash flows. These portfolios are managed within board-approved targets, and as well as providing a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on overnight interbank deposits to fund term lending.

Investec Limited cash and near cash trend



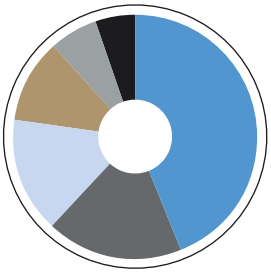
An analysis of cash and near cash at 31 March 2020



R147.2 billion

46.8%	Central Bank cash placements and guaranteed liquidity
36.3%	Cash
16.9%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 31 March 2020



R422.3 billion

44.0%	Other financials
18.1%	Individuals
15.3%	Non-financial corporates
11.1%	Banks
6.3%	Small businesses
5.2%	Public sector

The liquidity position of the group remained sound with total cash and near cash balances amounting to R147.2 billion at year end

Contingency planning

The group maintains contingency funding plans which detail the course of actions that can be taken in the event of a liquidity stress. The plans help to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plans include:

- Details on the required daily monitoring of the liquidity position;
- Description of the early warning indicators to be monitored, and process of escalation if required;
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios);
- Funding and management actions available for use in a stress situation;
- Roles and responsibilities;
- Details of specific escalation bodies and key contacts; and
- Internal and external communication plans.

The plans have been tested within our core jurisdictions via externally facilitated liquidity crisis simulation exercises which assess their suitability and ability to adequately contain a liquidity stress.

Asset encumbrance An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The group uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the group which are available to provide a pool of collateral eligible to support central bank liquidity facilities.

On page 235 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

The tables that follow show the bank's contractual and behavioural liquidity mismatch.

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

With respect to the contractual liquidity tables that follow, 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 reporting or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits:* the contractual repayments of many deposits are on demand, or at notice, but behaviourally withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2020

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	52 334	1 433	1 352	65	973	–	35	56 192
Cash and short-term funds – non-banks	13 466	239	309	–	–	–	–	14 014
Investment/trading assets and statutory liquids	51 167	31 992	6 667	5 657	10 370	51 423	36 732	194 008
Securitised assets	–	–	–	–	–	3 596	4 093	7 689
Advances	4 184	9 105	8 659	15 936	17 920	114 594	111 530	281 928
Other assets	1 758	–	4 651	–	311	3 334	10 722	20 776
Assets	**122 909**	**42 769**	**21 638**	**21 658**	**29 574**	**172 947**	**163 112**	**574 607**
Deposits – banks	(493)	(1 127)	(1 083)	(4 214)	(118)	(39 548)	(250)	(46 833)
Deposits – non-banks	(179 490)^	(21 831)	(57 046)	(30 874)	(40 067)	(42 479)	(3 669)	(375 456)
Negotiable paper	–	(425)	(491)	(491)	(1 866)	(3 912)	(449)	(7 634)
Securitised liabilities	–	–	–	–	–	–	(1 699)	(1 699)
Investment/trading liabilities	(6 855)	(9 035)	(19 612)	(3 255)	(3 947)	(12 631)	(2 420)	(57 755)
Subordinated liabilities	–	–	–	–	(610)	(13 148)	(625)	(14 383)
Other liabilities	(3 426)	(1 162)	(1 208)	(855)	(98)	(1 143)	(6 280)	(14 172)
Liabilities	**(190 264)**	**(33 580)**	**(79 440)**	**(39 689)**	**(46 706)**	**(112 861)**	**(15 392)**	**(517 932)**
Total equity	–	–	–	–	–	–	(56 675)	(56 675)
Contractual liquidity gap	**(67 355)**	**9 189**	**(57 802)**	**(18 031)**	**(17 132)**	**60 086**	**91 045**	**–**
Cumulative liquidity gap	(67 355)	(58 166)	(115 968)	(133 999)	(151 131)	(91 045)	–	

^ *Includes call deposits of R176 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity as at 31 March 2020

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**72 395**	**(4 515)**	**(974)**	**(6 717)**	**(364)**	**(173 267)**	**113 442**	**–**
Cumulative	72 395	67 880	66 906	60 189	59 825	(113 442)	–	

Non-trading interest rate risk

Non-trading interest rate risk description

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

Sources of interest rate risk in the banking book include:

- **Repricing risk**: arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk**: repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk**: arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk**: arises from optional elements embedded in items where the bank or its customers can alter the level and timing of their cash flows
- **Endowment risk**: refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest earnings and the economic value of equity.

Measurement and management of non-trading interest rate risk

Non-trading interest rate risk is an inherent consequence of conducting banking activities, and arises from the provision of (non-trading) banking products and services. The group considers the management of banking margin of vital importance, and our non-trading interest rate risk philosophy is reflected in our day-to-day practices.

The aim of non-trading interest rate risk management is to protect and enhance net interest income and economic value of equity in accordance with the board-approved risk appetite, and to ensure a high degree of stability of the net interest margin over an interest rate cycle. Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the bank's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering:

(i) Interest rate expectations and perceived risks to the central view

(ii) Standard shocks to levels and shapes of interest rates and yield curves

(iii) Historically-based yield curve changes.

The repricing gap provides a simple representation of the balance sheet, with the sensitivity of fair values and earnings to changes to interest rates calculated off the repricing gap. This also allows for the detection of interest rate risk concentration in specific repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon.

Each geographic entity has its own board-approved non-trading interest rate risk appetite, which is clearly defined in relation to both income risk and economic value risk. The group has limited appetite for non-trading interest rate risk.

Operationally, daily management of interest rate risk is centralised within the Treasury of each geographic entity and is subject to local independent risk and ALCO review. Treasury mitigates any residual undesirable risk where possible, by changing the duration of the banking book's discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Automatic optionality arising from variable rate products with an embedded minimum lending rate serves as an income protection mechanism for the bank against falling interest rates while behavioural optionality risk from customers of fixed rate products is mitigated by early repayment charges.

Internal capital is allocated for non-trading interest rate risk. The group complies with the BCBS108 framework which is currently in force for assessing banking book (non-trading) interest rate risk, and is in the process of enhancing its existing framework to adhere to the new BCBS368 principles which come into effect in 2022.

Interest rate sensitivity gap at 31 March 2020

The table below shows our non-trading interest rate mismatch at 31 March 2020. 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	44 473	–	–	–	–	9 352	53 825
Cash and short-term funds – non-banks	13 984	–	–	–	–	30	14 014
Investment/trading assets and statutory liquids	56 995	12 744	9 875	19 639	21 764	47 118	168 135
Securitised assets	7 689	–	–	–	–	–	7 689
Advances	250 535	4 397	1 388	19 605	1 009	4 990	281 924
Other assets	5 691	(1 797)	(3 233)	(2 026)	(780)	15 817	13 672
Assets	**379 367**	**15 344**	**8 030**	**37 218**	**21 993**	**77 307**	**539 259**
Deposits – banks	(37 979)	(4 027)	(56)	(4 521)	(250)	–	(46 833)
Deposits – non-banks	(309 742)	(23 833)	(25 316)	(10 484)	(944)	(5 137)	(375 456)
Negotiable paper	(1 865)	(50)	(1 433)	(3 802)	(424)	(60)	(7 634)
Securitised liabilities	(1 699)	–	–	–	–	–	(1 699)
Investment/trading liabilities	(14 195)	–	–	(105)	(173)	(4 463)	(18 936)
Subordinated liabilities	(13 799)	–	(101)	(483)	–	–	(14 383)
Other liabilities	–	–	–	–	–	(12 330)	(12 330)
Liabilities	**(379 279)**	**(27 910)**	**(26 906)**	**(19 395)**	**(1 791)**	**(21 990)**	**(477 271)**
Total equity	(3 157)	–	–	–	–	(53 518)	(56 675)
Balance sheet	**(3 069)**	**(12 566)**	**(18 876)**	**17 823**	**20 202**	**1 799**	**5 313**
Off-balance sheet	(3 451)	15 429	19 352	(16 576)	(20 067)	–	(5 313)
Repricing gap	**(6 520)**	**2 863**	**476**	**1 247**	**135**	**1 799**	**–**
Cumulative repricing gap	(6 520)	(3 657)	(3 181)	(1 934)	(1 799)	–	

Economic value sensitivity at 31 March 2020

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2.0% parallel shift in interest rates assuming no management intervention. This sensitivity effect does not have a significant 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	(211.2)	0.4	(4.4)	1.0	0.1	(0.7)	(260.8)
200bps up	124.5	(0.4)	3.1	(1.2)	(0.2)	1.0	145.5

Regulatory requirements

Liquidity Risk

In response to the global 2008/09 financial crisis, the BCBS introduced a series of reforms designed to both strengthen and harmonise global liquidity standards to ensure strong financial risk management and a safer global economy.

Two minimum standards for funding liquidity were introduced:

- The liquidity coverage ratio (LCR) is designed to ensure that banks have sufficient high quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The net stable funding ratio (NSFR) is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

There are various regulatory and economic barriers that prevent liquidity from flowing out of the domestic economy. Namely, South Africa has exchange control that limits capital flows, along with prudential requirements on financial corporates.

A positive consequence of the above is that the Rand funding that the South African banks use is contained within the financial system and therefore the Rand is unlikely to be drained by currency withdrawal from offshore sources, or placements in offshore accounts.

To address this systemic challenge, the South African PA exercised national discretion and has announced a change to the available stable funding factor to include 35% of financial sector deposits that are less than six months in tenor.

This, in turn, would reduce the amount of term deposits greater than six months in tenor, currently required by local banks to meet the NSFR, mitigating any increases in the overall cost of funds.

Despite the above constraints, Investec Bank Limited comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratios into our processes. The minimum requirement for LCR is 80%, recently reduced from 100% until such time as the South African PA is of the view that the financial markets have normalised. The minimum requirement for NSFR is 100%.

The South African PA noted that the South African HQLA shortage has continued to decrease such that the continued provision of the CLF was unlikely to meet the qualifying criteria set out in the Basel III Framework. The South African PA therefore announced it would phase out the Committed Liquidity Facility (CLF) over a period of three years by December 2021. Investec Bank Limited does not make use of the CLF.

Non-trading interest rate risk

In 2016, the BCBS finalised their standards for non-trading interest rate risk which recommended the risk is assessed as part of the bank's capital requirements, outlined six prescribed shock scenarios, and recommended enhanced disclosure requirements for supervisors to implement.

The South African PA has announced that it will adopt the new IRRBB regulatory reforms as outlined in BCBS368. Implementation of new IRRBB standards is scheduled for June 2021 allowing for one year parallel run with regulatory compliance deadline and public IRRBB disclosure following in January 2022. The group currently submits required IRRBB output to the South African PA on a monthly basis and aims to be compliant with all aspects of the new IRRBB regulatory reforms when formally adopted by the South African PA.

South Africa, a member of the G20, has adopted the published BCBS guidelines for 'liquidity risk measurement standards and monitoring'.

There are certain shortcomings and constraints in the South African environment and the banking sector in South Africa is characterised by certain structural features such as:

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework

Balance sheet risk year in review

South Africa continued to be confronted by several economic, political and social issues, both locally and internationally.

South Africa's fiscal position remained under considerable pressure as the positions of Eskom, SAA and other SOEs continued to deteriorate. Globally, political and economic uncertainties such as Brexit and the US-China trade wars led to a changing sentiment towards emerging market assets. This led to alternating cycles of risk-on and risk-off periods, fuelling local currency volatility.

We closed the financial year with the COVID-19 pandemic placing the local and global economic activity under immense strain. Globally, central banks adopted a coordinated approach in reacting to the COVID-19 pandemic. They began cutting interest rates and putting various mechanisms in place to ensure markets remained liquid. The SARB cut rates by 250bps to the lowest levels in recent history. In addition to this, they employed further mechanisms to inject liquidity in the system; most notably, introducing additional term repo facilities for the banks to access, and the reduction in the LCR regulatory minimum from 100% to 80% until such time as the South African PA is of the view that financial markets have normalised.

Amid all the uncertainty brought about by COVID-19, Moody's announced a downgrade to the country's credit rating to below investment grade. The response to the downgrade was largely muted, however, as analysts and market participants believed the move was already largely priced into the market. This was followed by Fitch announcing a downgrade of South Africa's credit rating to BB from BB+, while also assigning a negative outlook.

The group came into this period of economic and social turmoil with a strong balance sheet characterised by strong liquidity and capital ratios.

The pursuit of our long-term strategic objective to improve the resilience of our balance sheet by targeting the structural shape of our funding profile remains front and centre. We maintain $1.9 billion of strategic long-term non-ZAR funding from diversified sources across the globe at favourable funding spreads. The group grew its total customer deposits by 9.9% from R341.6 billion to R375.5 billion as at 31 March 2020. Our private client funding initiatives had a pleasing year in the face of increased competition for retail deposits, delivering 16.5%

growth to close the year at R167.0 billion, contributing positively to the group's strategic funding objectives. We continue to see deposit growth out of our Private Banking franchise.

Over the same period, ZAR Wholesale funding grew by 5.0% to R205.5 billion with a strong focus on strategic tenor management. We are cognisant of the cost implications of long-term funding and continue to be strategic in our efforts to raise this type of funding. We continue to improve funding efficiency in line with Basel III liquidity guidelines.

Consistent with our liquidity management philosophy, we delivered liquidity ratios well above the regulatory requirements. The 90-day simple average LCR ended the financial year at 133.2%. The structural funding ratio represented by the NSFR ended the year at 116.2% as at 31 March 2020.

The demerger with Asset Management did not have a discernible impact on the group's liquidity position and ability to fund.

It is through the sustained resilience of our balance sheet that we believe we will be able to withstand these trying times and comfortably deal with disruptions the economy might encounter going forward.

Liquidity coverage ratio (LCR)

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

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

The values in the table are calculated as the simple average of the 91 calendar daily values over the period 1 January 2020 to 31 March 2020 for IBL solo. IBL consolidated group values use daily values for IBL, while those for other group entities use the average of January, February and March 2020 month-end values.

The minimum requirement is 100% for both IBL bank solo and IBL consolidated group.

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

IBL Solo

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

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

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for South African PA repo
- On average, Level 2 assets contributed 5% of total HQLA. Since 1 December 2017, we have not made use of the South African PA's committed liquidity facility (CLF)
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2019 quarter-end:

The average LCR increased by 10%, and remains fully compliant with regulatory requirements, and within the target range as set by the Board.

IBL Consolidated Group

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

At 31 March 2020 **R'million**	**Investec Bank Limited Solo – Total weighted value**	**Investec Bank Limited Consolidated Group – Total weighted value**
High quality liquid assets (HQLA)	83 775	85 606
Net cash outflows	63 002	60 149
Actual LCR (%)	**133.2%**	**142.6%**
Required LCR (%)*	100%	100%

* *Temporarily decreased to 80%.*

Net stable funding ratio (NSFR)

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

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar III of the Basel III liquidity accord, as specified by Directive 11/2015 and Directive 01/2020.

The values in the table are calculated as at 31 March 2020.

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

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

IBL Solo

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

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

IBL Consolidated Group

Only banking and/or deposit-taking entities are included and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, IBL and IBM, contribute over 99% of the group's combined available and required stable funding. The consolidated group NSFR improves due to the contribution of IBM's capital to available stable funding.

At 31 March 2020 **R'million**	**Investec Bank Limited Solo – Total weighted value**	**Investec Bank Limited Consolidated Group – Total weighted value**
Available stable funding (ASF)	327 460	347 926
Required stable funding (RSF)	281 488	296 512
Actual NSFR (%)	**116.3%**	**117.3%**
Required NSFR (%)	100%	100%

Operational risk

Operational risk description

Operational risk is defined as the potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impact could be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the ordinary course of business activity. The group aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

Risk appetite

Operational risk appetite is defined as the level of risk exposure that is acceptable to the board in order to achieve its business and strategic objectives. The board is responsible for setting and regularly reviewing risk appetite. The operational risk appetite policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the group is willing to accept.

Operational risks are managed in accordance with the approved risk appetite. Any breaches of limits are escalated to DLC BRCC.

Management and measurement of operational risk

Regulatory capital

The bank applies the standardised approach (TSA) for the assessment of regulatory capital.

As part of the Basel III Reforms, The Basel Committee has announced revisions to the calculations of capital requirements for operational risk. A single standardised approach will replace all existing approaches for the calculation of regulatory capital.

The group will continue to work closely with regulators and industry bodies on the implementation of the revisions.

Operational risk management framework and governance

The operational risk management framework is embedded at all levels of the group, supported by the risk culture and enhanced on a continual basis in line with regulatory developments. Included in the framework are policies, practices and processes which facilitate the identification, assessment, mitigation, monitoring and reporting of operational risk.

The group's approach to managing operational risk operates in terms of a levels of defence model which reinforces accountability by allocating roles and responsibilities.

The levels of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable
- Level 2 – Independent operational risk function: responsible for building and embedding the operational risk framework, challenging the business lines' inputs to, and outputs from, risk management, risk measurement and reporting activities
- Level 3 – Independent review and challenge: responsible for reviewing and testing the application and effectiveness of operational risk management procedures and practices.

The group's operational risk profile is reported on a regular basis to various operational risk forums and governance committees responsible for oversight.

Risk reports are used for ongoing monitoring of the operational risk profile which contributes to sound risk management and decision-making by the board and management.

Operational risk practices consist of the following:

	Risk and control assessments	*Internal risk events*	*External risk events*	*Key risk indicators*	*Scenarios analysis and capital calculation*
Description	Forward-looking qualitative assessments performed on key business processes. These assessments allow business units to identify, manage and monitor operational risks and controls	Internal risk events are analysed to enable business to identify and monitor trends in addition to addressing control weaknesses	An external data service is used to provide operational risk events from other organisations. These events are analysed to enhance our control environment. The external risk events also inform operational risk scenarios	Indicators are used to monitor risk exposures against identified thresholds. The output provides predictive capability in assessing the risk profile of the business	Extreme, unexpected, but plausible scenarios are assessed to identify and manage significant operational risk exposures. The results of this evaluation provide input to determine internal operational risk capital requirements

Operational risk year in review

The group continued to enhance its operational risk framework in line with regulatory developments and sound practices. Regular interaction with regulators promotes an understanding of regulatory expectations and informs the approach to regulatory developments and requirements. The awareness of sound practice is achieved through interaction with industry counterparts at formal industry forums.

In response to the global COVID-19 pandemic, the group has implemented all official and medical guidance as advised by the authorities. Our priority is the safety of our staff whilst remaining fully operational in supporting a business-as-usual environment and in servicing our client base while maintaining robust processes and controls. To this end all staff, including core operational and non-critical teams, have working-from-home capability. Where critical staff or teams are required in the office, this is managed on a case-by-case basis. As part of the switch to remote working caused by the COVID-19 pandemic the group upgraded and improved the robustness of its technology infrastructure through increased capacity and security measures so as to facilitate a safe and durable global working environment.

Operational risk events

The group manages all risk events within the agreed operational risk appetite. The majority of internal risks events for the year under review were categorised as execution and process failures and external fraud. Root cause analyses are performed on risk events to understand the weaknesses in the control environment and to determine the mitigating actions needed to prevent the failure from reoccurring.

Looking forward

Key operational risk considerations for the year ahead

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Anti-money laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Implementation and continuous enhancement of AML, CFT and Sanctions, ABC (Anti-bribery and Corruption) policies and sanctions control systems across the group • Increased sophistication of risk management methodology with the aim to allow more efficient allocation of resources toward higher risk areas • Continuous enhancement and automation of transaction monitoring capabilities, increased detection of AML related activities • Continuous monitoring and assimilation of local and international legislative and best-practice developments • AML knowledge is a key component of the control environment. The knowledge is supported by mandatory training for all staff and specialist training for AML roles • Industry participation to manage legislative requirements through engagement with regulators.
Business resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintaining business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establishing fit-for-purpose resilience strategies including, but not limited to, relocating impacted businesses to alternate processing sites, implementation of high availability technology solutions, and ensuring physical resilience for critical infrastructure components • Conducting validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhancing the group's global resilience capability through a team of dedicated resources and robust governance processes • Participating in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks.
Conduct	
Risk associated with inappropriate behaviour or business activities may lead to either a client, counterparty or market detriment and/or reputational and/or financial damage to Investec	• Strong organisational culture of entrenched values, which forms the cornerstone of Investec's behaviour towards all stakeholders, including clients • Appropriate controls and processes that deliver fair customer outcomes are in place • Monitoring of the group's delivery of fair customer outcomes through conduct governance structures • Surveillance arrangements are in place across all trading activity and related communications • Continued cooperation with regulatory authorities and other stakeholders which include industry bodies on conduct risk issues • Promoting awareness of conduct-related matters across the group through appropriate employee training and communication to drive responsible behaviour.

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Cybersecurity	
Risk associated with cyberattacks which can result in data compromise, interruption to business processes or client services, financial losses, or reputational harm	• Maintaining a risk-based strategy integrating prediction, prevention, detection and response capabilities • Enhancing the security architecture using advanced technology, research and threat intelligence, to protect against evolving threats and sophisticated attacks • Maturing cyber resilience through coordinated incident response and crisis management processes • Stress-testing of cyber controls through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent specialists • Embeding secure software development and testing practices to ensure IT systems are secure by design • Provision of ongoing security training to staff to ensure high levels of awareness and vigilance.
Data management	
Risk associated with poor governance in acquiring, processing, storing, and protecting data	• Establishing consistent mechanisms for unified data consolidation, storage and reporting • Automating data flows and streamline integration between systems to reduce the need for manual tasks, minimise data processing delays and eliminate single points of failure • Monitoring, report on, and enhance data quality and aggregation, in line with business needs and regulatory principles • Obtaining predictive intelligence through data analytics to support proactive risk management • Maintaining data retention and destruction processes to meet business needs and comply with applicable legal obligations.
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhancing the group's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintaining an independent integrity (whistle blowing) line to ensure staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Conducting fraud risk assessments to proactively identify and map existing preventative and detective controls to the relevant fraud risks, and evaluate whether the identified controls are operating effectively • Increasing fraud detection and prevention controls in response to the continued upward trend in operational losses due to fraud attempts • Maintaining collaboration with other financial institutions in fraud prevention to recover funds that have been paid away • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continuing to create awareness by focusing on training staff, educating clients and intermediaries on fraud prevention and detection • Participating in industry working groups to gain an understanding of current trends in order to enhance the control environment.
Information security	
Risk associated with unauthorised access, use, disclosure, modification or destruction of data, which can impact confidentiality, integrity, or availability	• Identifying and classify high-value information assets based on confidentiality and business criticality • Implementing intelligent data loss prevention controls to protect information against unauthorised access or disclosure • Managing role-based access to systems and data and controlled privileged IT access, supported by risk-based access and activity monitoring • Protecting internal and external information flows to ensure data completeness and integrity • Maintaining safeguards to protect confidential physical documents and facilitate secure destruction • Continually improving data breach monitoring and response in line with relevant privacy laws.

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to identify and implement adequate and effective controls including the management of change • Addressing human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls.
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group compliance and group legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Aligning and effecting regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures (e.g. Transitioning from Ibor to Risk-Free Rates) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensuring that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk.
Technology	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Implementing strategic roadmaps that leverage new technologies to enhance capacity, scalability, security, resilience and robustness and reduce reliance on legacy IT systems • Future-proof IT development and implementation in support of innovation and delivery at pace • Driving automation to reduce human error whilst enhancing efficiency • Continuing to align IT architecture and standards across the group, to reduce technical complexity and leverage common functions and services • Enhancing proactive monitoring of the IT environment, for continual visibility of health and performance • Maintaining and test IT resilience capabilities to withstand failure and minimise service disruption.
Third party	
Risk associated with the reliance on, and use of a service provider to provide services to the bank	• Appropriate due diligence in place to access and approve third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of third party service providers • Continuing to strengthen governance processes and relevant policies relating to how to identify, assess, mitigate and manage risks across the range of third party service providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party.

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between operational risk management and insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risk.

Recovery and resolution planning

The purpose of the recovery plans is to document how the board and management will plan for recovery from extreme financial stress to avoid liquidity and capital difficulties in the group. The plan is reviewed and approved by the DLCC board on an annual basis.

The recovery plans for the group:

- Integrate with existing contingency planning;
- Analyse the potential for severe stress in the group;
- Identify roles and responsibilities;
- Identify early warning indicators and trigger levels;
- Analyse the effects of stresses under various scenarios;
- Include potential recovery actions available to the board and management to respond to the situation, including immediate, intermediate and strategic actions; and
- Analyse the recovery potential as a result of these actions to avoid resolution.

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The South African PA has adopted this requirement and has to date required South African domestically significant banking institutions to develop recovery plans. Guidance issued by the Financial Stability Board and the South African PA has been incorporated into Investec's recovery plan.

The South African PA has continued to focus on banks' finalising their recovery plans and together with the South African Treasury are considering legislation to adopt a resolution framework. We will be subject to this legislation once it is adopted.

Reputational and strategic risk

Reputational risk is damage to our reputation, name or brand and is often associated with strategic decisions. It arises as a result of other risks manifesting and not being appropriately mitigated.

The group aspires to maintain an excellent reputation for entrepreneurship, strong risk management discipline, a client-centric approach and an ability to be flexible and innovative. The group recognises the serious consequences of any adverse publicity or damage to reputation, whatever the underlying cause.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles. We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices. As one of our core values and philosophies, we demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Strategic and reputational risk is mitigated as much as possible through these detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders. In addition, Investec group's policy is to avoid any transaction, service or association which may bring with it the risk of potential damage to our reputation. Transaction approval governance structures such as credit and new product committees have therefore been tasked with this responsibility in relation to all new business undertaken. A disclosure and public communications policy has also been approved by the DLC board.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not support the anticipated rights and remedies in the transaction.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes, among other things, the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing legal risk forums (bringing together the various legal risk managers) to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of legal risk.

Conduct risk

The South African regulators have renewed and refocused efforts to ensure that the South African financial sector provides clients with good-value products in order to receive and make payments, save, borrow and insure against daily risks. To this end, a strong market conduct policy is a critical pillar in building a financial sector that delivers these outcomes. The required structural regulatory reform has progressed, with the Financial Sector Regulation Act 9 of 2017 (FSR Act) which came into effect in April 2018, with the established two new Authorities, namely the South African PA and a dedicated market conduct Authority, the Financial Sector Conduct Authority (FSCA). The FSCA is responsible for the regulation and supervision of financial institution that provide financial products and financial services i.e. financial institutions that are licensed in terms of a financial sector law.

The FSCA's key objective is to enhance and support the efficiency and integrity of financial markets, to protect financial customers by promoting their fair treatment by financial institutions and financial inclusion. The FSCA expects all licensed financial institutions to act with integrity and to treat their customers fairly. Furthermore, the FSCA expects financial institutions to have a culture that is conducive to consumer protection and market integrity, supported by a conduct risk framework.

The draft Conduct of Financial Institutions Bill (COFI Bill) was published for comment in December 2018 and the submission date for commentary was 1 April 2019. It is envisaged that the COFI Bill, once enacted, will consolidate and strengthen conduct laws and further ensure financial inclusion and transformation of the financial sector. The Bill establishes binding principles that reflect the outcomes that the financial sector will be expected to meet. The next reiteration of the COFI Bill is expected to be published for public comment during the second or third quarter of 2020.

Culture and governance are the underlying themes of the COFI Bill and the FSCA's approach to supervising and regulating financial institutions with a focus on the conduct of both the individuals and financial institutions. The FSCA requires improvements in culture of the financial institutions, including ensuring appropriate governance frameworks. Furthermore the FSCA requires that the decision-makers are directly and personally held accountable for weak governance and abusive practices by the institution.

Our approach to conduct risk is driven by our values and philosophies, which include 'client focus' and 'cast iron integrity' and is aligned with the regulator's retail and wholesale conduct risk regime. The implementation of appropriate standards of conduct, aims to ensure that the group and its subsidiaries operate responsibly, appropriately and with integrity in the wholesale and retail markets, with the fair treatment of customers being the highest priority. The group ensures that its products and services are scrutinized and regularly reviewed to ensure that they continue to deliver value and perform as expected. The group has furthermore enabled a business environment that is conducive to consumer protection and market integrity, supported with the appropriate conduct risk management framework and governance through the DLC Customer Market and Conduct Committee to continue to align its conduct framework with developing legislative requirements and applicable best practices.

Climate related financial disclosures (TCFD)

Our position on climate change

We recognise the complexity and urgency of climate change. The group's environmental policy considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change.

We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach.

Climate related financial disclosures (TCFD)

The table below illustrates a summary of our progress in terms of the TCFDs aligned with the Financial Stability Board Taskforce recommendations and is structured around four core elements: governance, strategy, risk management, and metrics and targets.

Climate risk disclosure is an evolving process. As we receive guidance from our regulatory regimes and the relevant reporting frameworks, we will continue to engage constructively with various stakeholders to improve our disclosures in alignment with our commitment to climate action.

www **Refer to detailed information in our 2020 TCFD report on our website.**

	Pre financial year end March 2020	Financial year end March 2020	Financial year end to March 2021
Governance	• Strengthened the group climate change statement and policy on environment • Reviewed the group policy on environmental and social risk for both investing and lending activities • Reviewed the group policy on lending to the coal industry	• Assigned board responsibility and oversight for climate related risks and opportunities • Assigned senior management responsibility for climate related risks and opportunities • Published a public fossil fuel policy	• Review risk appetite statements and frameworks to include TCFD recommendations, guidance and parameters
Strategy	• Committed to support the objectives of the Paris Agreement • Acknowledged our support of the TCFD recommendations in our annual reporting	• Followed the Intergovernmental Panel on Climate Change (IPCC) mitigation pathway of limiting global temperatures to 1.5ºC • Committing to ongoing carbon neutral emissions across all operations • First bank in SA and the eighth bank in the UK banking and financial services sector to sign up to the TCFDs in August 2019	• Engage with supply chain and clients to fully understand the carbon intensity of their business and to support them in implementing carbon reduction strategies • Climate scenario analysis and reporting
Risk management	• Supported business through: – guidance on ESG related matters using in-house developed ESG guidebooks based on IFC guidelines and – *adhoc* training and awareness on ESG matters	• Evaluated lending and investment portfolios for ESG risks • Evaluated lending and investment portfolios for climate related risks and opportunities • Evaluated exposure to fossil fuels	• Strengthen capabilities in ESG identification, screening, measurement and reporting in risk management processes
Metrics and targets	• Included non-financial and ESG related targets within executive remuneration with a total weighting of 20% of short-term incentives and 25% of long-term incentives • Implemented emission reduction targets within our operations relating to energy usage	• Achieved carbon neutral status across our global operations for emissions in the 2020 financial year • Committed to ongoing carbon neutral emissions across all operations • Disclosed our fossil fuel exposure and ESG risk exposure in our sustainability report	• Evaluate sourcing operational energy requirements from renewable energy providers • Include climate metrics in risk appetite indicators • Review climate-related targets for executive remuneration

Capital management and allocation

Regulatory capital – Investec Limited

Current regulatory framework – Investec Limited

Investec Limited is regulated by the South African PA at three distinct reporting levels; Investec Limited (which is equivalent to the scope of the controlling company), Investec Bank Limited Consolidated (which is equivalent to the scope of the consolidated banking group) and Investec Bank Limited Solo (which is equivalent to the standalone bank company). Investec Limited calculates capital resources and requirements using the Basel III framework, in accordance with the amended Regulations relating to Banks (the Regulations), which sets out, amongst other things, the prescribed minimum required capital ratios and various components of capital requirements. In addition, the South African capital framework, based on the Basel III framework, is further specified in Banks Act Directive 6 of 2016 (the capital directive), which set out matters related to the prescribed minimum capital ratios and the application of various components of the said capital requirements such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (DSIB) capital requirements, the countercyclical buffer (CCyB) range and the capital conservation buffer (CCB) range. In accordance with the directive, Investec Limited has fully phased in all minimum Basel III ratios and requirements.

During the 2020 financial year, IBL was once again identified as a South African Domestically Systemic Important Bank (D-SIB) and complies with such prescribed higher loss-absorbency (HLA) requirements in line with the Regulations. In addition, Investec Limited has further been designated as a Systemically Important Financial Institution (SIFI) in accordance with section 29 of the Financial Sector Regulation Act 9 of 2017 (FSR Act). The designation as a SIFI will have certain implications for Investec Limited, most notably, Investec Limited will be subject to an open bank resolution framework as promulgated in the draft Financial Sector Laws Amendment Bill (FSLAB) of 2018. The South African PA published a supplementary document, "Ending too big to fail, South Africa's intended approach to bank resolution", of which the discussion paper sets out the South African PA's intended approach to planning for and conducting an open-bank resolution. The FSLAB introduced a new tranche of loss-absorbing instruments, referred to as 'flac' instruments, which will be subordinated to other unsecured liabilities and be clearly intended for bail-in within an open-bank resolution. The calibration, appetite and characteristics of flac is currently subject to rigorous industry debate and is expected to develop in line with the finalisation of the FSLAB during the 2020 calendar year. This is a new area of responsibility for both the South African PA and banks, and as more insights are gained, the contents of the paper and the impact on Investec Limited will be refined during 2020.

The South African PA continuously assess Investec Limited's bank specific individual capital requirement (ICR), also known as Pillar 2B, as part of its Supervisory Review and Evaluation Process (SREP), of which ICR may be based on factors such as the outcome of a common stress test on management/board buffers and/or levels of economic capital to cover risks not regarded as Pillar 1 risks, as observed in the Internal Capital Adequacy Assessment Process (ICAAP). Investec maintains an additional discretionary capital buffer, above the specified minimum requirements, to ensure that the execution of internal business objectives and to prevent the Group from falling below the relevant minima's with the occurrence of adverse/unforeseen external stresses. In line with Banks Act Circular 6 of 2016, banks in South Africa should not disclose to the public their ICR or D-SIB capital add-on requirements as these are bank-specific and are based on a combination of various qualitative and quantitative factors that are not directly comparable across banks.

With effect 1 January 2016, all CCyBs should be incorporated into a weighted average CCyB calculation based on jurisdictional reciprocity. Reciprocity ensures that the application of the CCyB in each jurisdiction does not distort the level playing field between domestic banks and foreign banks with exposures to counterparties in the same jurisdiction. South Africa has not announced any CCyB requirements for 2020. As at 31 March 2020, Investec Bank Limited does not have any jurisdictional reciprocity CCyB add-on as calculated in accordance with Banks Act Directive 2 of 2018.

For the year ended 31 March 2020, Investec Limited calculated its minimum capital requirements in respect of:

- Credit risk for the retail portfolios using the Advanced Internal Rating-Based Approach (AIRB), and wholesale portfolios using the Foundation Internal Rating-Based Approach (FIRB);
- Credit risk for Investec Bank Mauritius (IBM) and non-bank subsidiaries using the standardised approach (STD);
- Counterparty credit risk exposure using the current exposure method (CEM);
- Operational risk capital requirement on the standardised approach (STD);
- Equity risk using the internal ratings-based (IRB) approach by applying the simple risk-weight method; and
- Market risk using an internal risk management model, approved by the South African PA.

Management of each separately regulated entity within Investec, with the support of the Group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Regulatory considerations

The regulatory environment has continued to evolve during 2019/2020, with a vast number of new consultations, regulatory technical standards, implementing technical standards and other proposals being published or adopted, by the BCBS and the South African PA.

During December 2019, the BCBS issued a consolidated Basel Framework. The framework brings together all of the BCBS's global standards for the regulation and supervision of banks. The publication of the standards in the new format of the consolidated framework has focused on reorganising existing requirements, not introducing new requirements or otherwise amending the standards previously agreed and published by the BCBS. The preparation of the standards in the new format did, however, reveal some inconsistencies between Basel requirements as well as ambiguities that needed to be addressed through minor policy changes. Therefore, concurrent with the publication of the consolidated framework, the South African PA will publish a consultative document during 2020, that will outline the proposed changes to the South African banking regulations.

In addition, South African PA Communication 2 of 2020, issued under the FSR Act, sets out the South African PA's proposed revised implementation dates in respect of specific regulatory frameworks in

South Africa as a result of the impact of COVID-19. The proposed implementation dates are informed by a number of considerations, including the actions taken by the relevant international standard-setting bodies; whether the implementation of the framework is aligned to the regulatory or supervisory actions taken by the South African PA to date in response to COVID-19 and South Africa's overall progress in the implementation of certain internationally agreed frameworks and their relevant implementation dates.

Most notably, the key frameworks that have been delayed and will have an impact on Investec Limited are: the Standardised Approach to Counterparty Credit Risk, (SA-CCR) capital requirements for banks exposures to central counterparties, and capital requirements for equity investments in funds that have been moved out to 1 January 2021 (from 1 October 2020) and the revisions to the securitisation framework and large exposures framework that has been moved to 1 April 2021 from 1 January 2021.

Investec Limited continues to assess and monitor the impact of new regulations and regulatory reforms through participation in Quantitative Impact Studies submissions to the South African PA, contributing to industry consultations and discussion groups at BASA and quantifying and presenting the impact of these reforms on Investec Limited to the capital committees and to the board.

In addition to the actions taken by the South African PA on deploying monetary policy tools to mitigate the impact of COVID-19, the South African PA has provided for regulatory relief measures as well as guidance to banks in managing the crisis. With the exception of the LCR relief that is effective 31 March 2020, the remainder of the relief measures will be available to banks during the COVID19 stress period, effective from 6 April 2020, and adequate notice and phase back will be provided by the South African PA once the impact period is better understood. The regulatory relief measures are provided for in three areas, namely:

- Loans restructured as a result of the impact of COVID-19 will not attract a higher capital charge.
- For the duration of the crisis, the LCR, the ratio setting out the liquid assets a bank must maintain in relation to its anticipated outflows, is being lowered from 100% to 80%
- Banks Act Directives 2 of 2020 outlines various measures to provide temporary capital relief to banks during COVID19 stress period, i.e. from 6 April 2020 until such further notice from the South African PA. These capital relief measures include:
  - The temporary relaxation of the Pillar 2A buffer to 0% (from 1%);
  - Permission to utilise the capital conservation buffer (CCB) and the D-SIB buffer, subject to prior approval from the South African PA;
  - The add back of the Pillar 2A buffer for purposes of the minority capital calculation and the conservation of capital distributions; and

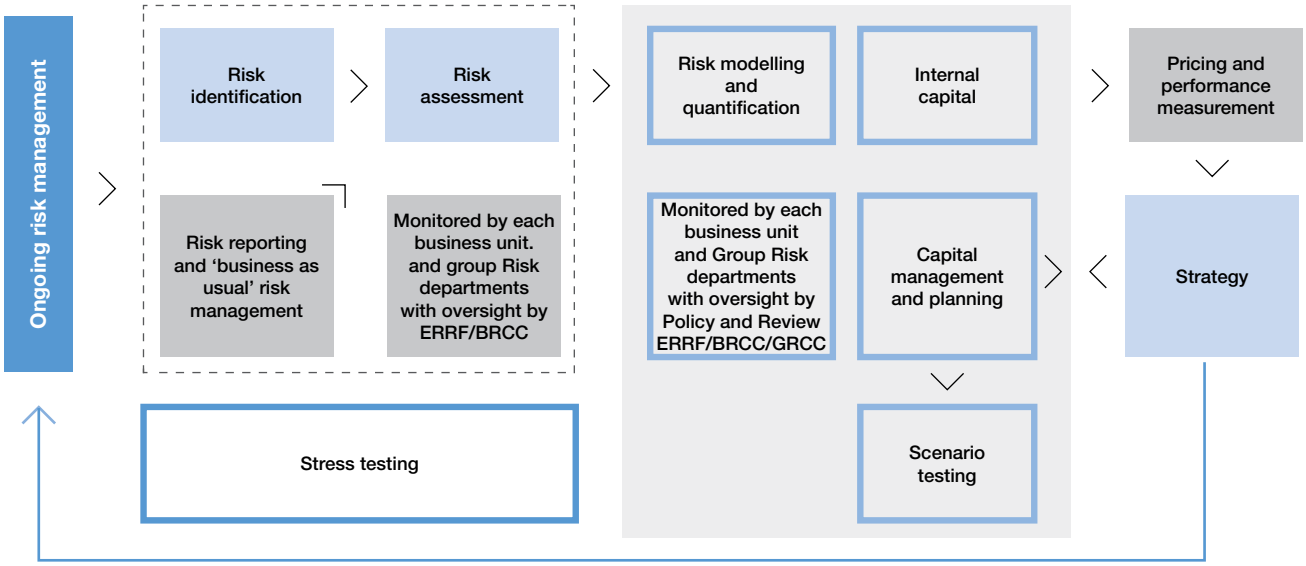
It is important to note that the South African PA intends to phase-in/reinstate the Pillar 2A buffer post the COVID19 stress period.

The South African PA has further provided recommendations to banks in Guidance note 4 of 2020 regarding the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers. The recommendations include:

- Banks should appropriately conserve capital to retain their capacity to support the real economy in an environment of heightened uncertainty caused by Covid-19
- Capital resources must continue to be available to support the real economy and to absorb losses in the immediate and medium to long term, and as such, the South African PA expects:
  - no distribution of dividends on ordinary shares and no payment of cash bonuses to executive officers and material risk takers should take place in 2020; and
  - board of directors of a bank to take appropriate action in respect of any distributions on dividends that may have already been declared by the bank and in respect of the accrual, vesting and payment of variable remuneration.

Risk management framework

The (simplified) integration of risk and capital management



Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec Limited has always held capital well in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

The Investec Limited and DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood, prepared and planned for. To allow the committee to carry out this function, the group's regulatory and capital management teams closely monitor regulatory developments and regularly present to the committee on the latest developments and proposals. As part of any assessment, the committee is provided with analysis setting out the group's capital adequacy position, taking into account the most up-to-date interpretation of the rule changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Management of leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest South African PA regulations. The leverage ratio is a non-risk-based measure intended to prevent excessive build up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2019. Following guidance from the South African PA, Investec Limited applies the rules as outlined in the most recent BCBS publication.

Leverage ratio target

Investec Limited is currently targeting a leverage ratio above 6%.

Capital management

Philosophy and approach

Investec Limited operates an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group;
- Provide protection to depositors against losses arising from risks inherent in the business;
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions.

Capital planning and stress/scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium-term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed regularly, with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the Investec Limited and DLC capital committee after research and consultation with relevant internal experts. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the Investec Limited and DLC capital committee and the BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pillar 3 disclosure requirements

The Basel III framework is structured around three 'pillars' namely Pillar 1 minimum capital requirements, Pillar 2 supervisory review process and Pillar 3 market discipline. Pillar 3 aims to complement the other two pillars, by developing a set of disclosure requirements which will allow market participants to gauge the capital adequacy of a firm. The Pillar 3 disclosures for the 'silo' entity holding companies and its significant banking subsidiaries on a consolidated basis, will be available on the Investec group website.

Capital disclosures

The composition of our regulatory capital under Basel III basis is provided in the table below.

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 255 to 263.

	FIRB	
At 31 March 2020 **R'million**	**Investec Limited^**	**IBL*^**
Shareholders' equity	**39 903**	**39 754**
Shareholders' equity per balance sheet	43 086	41 288
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	**–**	**–**
Non-controlling interests per balance sheet	11 045	–
Non-controlling interests excluded for regulatory purposes	(11 045)	–
Regulatory adjustments to the accounting basis	**1 518**	**1 518**
Prudential valuation adjustment	(6)	(6)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(26)	(26)
Cash flow hedging reserve	1 550	1 550
Deductions	**(4 554)**	**(2 721)**
Goodwill and intangible assets net of deferred tax	(537)	(496)
Investment in financial entity	(1 662)	(1 596)
Shortfall of eligible provisions compared to expected loss	(629)	(629)
Investment in capital of financial entities above 10% threshold	(692)	–
Amount of deductions exceeding 15% threshold	(961)	–
Other regulatory adjustments	(73)	–
Common equity tier 1 capital	**36 867**	**38 551**
Additional tier 1 capital	**1 902**	**751**
Additional tier 1 instruments	5 727	1 994
Phase out of non-qualifying additional tier 1 instruments	(3 774)	(1 227)
Non-qualifying surplus capital attributable to non-controlling interest	(51)	–
Investment in capital of financial entities above 10% threshold	–	(16)
Tier 1 capital	**38 769**	**39 302**
Tier 2 capital	**11 885**	**12 905**
Collective impairment allowances	896	895
Tier 2 instruments	14 383	12 037
Non-qualifying surplus capital attributable to non-controlling interests	(2 747)	–
Investment in capital of financial entities above 10% threshold	(647)	(27)
Total regulatory capital	**50 654**	**52 207**
Risk-weighted assets	**337 755**	**319 090**
Capital ratios		
Common equity tier 1 ratio	10.9%	12.1%
Tier 1 ratio	11.5%	12.3%
Total capital adequacy ratio	15.0%	16.4%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 15bps lower respectively.*

Capital structure and capital adequacy *(continued)*

	Pro forma FIRB**		Standardised	
At 31 March 2019 R'million	**Investec Limited^**	**IBL*^**	**Investec Limited^**	**IBL*^**
Tier 1 capital				
Shareholders' equity	**39 966**	**39 770**	**39 966**	**39 770**
Shareholders' equity per balance sheet	43 149	41 304	43 149	41 304
Perpetual preference share capital and share premium	(3 183)	(1 534)	(3 183)	(1 534)
Non-controlling interests	**–**	**–**	**–**	**–**
Non-controlling interests per balance sheet	9 922	–	9 922	–
Non-controlling interests excluded for regulatory purposes	(9 922)	–	(9 922)	–
Regulatory adjustments to the accounting basis	**896**	**896**	**1 120**	**1 122**
Prudential valuation adjustment	(9)	(9)	(9)	(9)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(26)	(26)	(26)	(26)
Cash flow hedging reserve	931	931	931	931
Adjustment under IFRS 9 transitional arrangement	–	–	224	226
Deductions	**(3 790)**	**(3 426)**	**(2 936)**	**(2 741)**
Goodwill and intangible assets net of deferred tax	(629)	(588)	(629)	(588)
Investment in financial entity	(2 221)	(2 236)	(2 138)	(2 153)
Shortfall of eligible provisions compared to expected loss	(604)	(602)	–	–
Amount of deductions exceeding 15% threshold	(336)	–	(169)	–
Common equity tier 1 capital	**37 072**	**37 240**	**38 150**	**38 151**
Additional tier 1 capital	**2 374**	**920**	**2 432**	**920**
Additional tier 1 instruments	5 727	1 994	5 727	1 994
Phase out of non-qualifying additional tier 1 instruments	(3 302)	(1 074)	(3 302)	(1 074)
Non-qualifying surplus capital attributable to non-controlling interest	(136)	–	(78)	–
Non-controlling interest in non-banking entities	85	–	85	–
Tier 1 capital	**39 446**	**38 160**	**40 582**	**39 071**
Tier 2 capital	**11 566**	**14 401**	**13 165**	**14 795**
Collective impairment allowances	483	483	876	877
Tier 2 instruments	15 857	13 918	15 857	13 918
Non-qualifying surplus capital attributable to non-controlling interests	(4 774)	–	(3 568)	–
Total regulatory capital	**51 012**	**52 561**	**53 747**	**53 866**
Risk-weighted assets	**318 533**	**297 506**	**361 750**	**340 315**
Capital ratios				
Common equity tier 1 ratio	11.6%	12.5%	10.5%	11.2%
Tier 1 ratio	12.4%	12.8%	11.2%	11.5%
Total capital adequacy ratio	16.0%	17.7%	14.9%	15.8%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*
** *We received approval to adopt the FIRB approach, effective 1 April 2019. We therefore also presented numbers on a pro forma basis for 31 March 2019.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower respectively.*

Capital requirements

At 31 March 2020 R'million	FIRB Investec Limited	FIRB IBL*
Capital requirements	**38 842**	**36 695**
Credit risk	30 324	30 653
Equity risk	3 499	1 726
Counterparty credit risk	1 012	1 016
Credit valuation adjustment risk	272	273
Market risk	541	478
Operational risk	3 194	2 549

At 31 March 2019 R'million	Pro forma FIRB Investec Limited	Pro forma FIRB IBL*	Standardised Investec Limited	Standardised IBL*
Capital requirements	**36 721**	**34 301**	**41 703**	**39 237**
Credit risk	28 808	28 546	33 649	33 341
Equity risk	2 701	1 863	2 701	1 863
Counterparty credit risk	579	600	711	732
Credit valuation adjustment risk	347	382	356	391
Market risk	641	381	641	381
Operational risk	3 645	2 529	3 645	2 529

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Capital structure and capital adequacy

At 31 March 2020 R'million	FIRB Investec Limited	FIRB IBL*
Risk weighted assets	**337 755**	**319 090**
Credit risk	263 690	266 552
Equity risk	30 428	15 010
Counterparty credit risk	8 796	8 837
Credit valuation adjustment risk	2 363	2 371
Market risk	4 701	4 158
Operational risk	27 777	22 162

At 31 March 2019 R'million	Pro forma FIRB Investec Limited	Pro forma FIRB IBL*	Standardised Investec Limited	Standardised IBL*
Risk weighted assets	**318 533**	**297 506**	**361 750**	**340 315**
Credit risk	249 892	247 584	291 886	289 168
Equity risk	23 433	16 159	23 433	16 159
Counterparty credit risk	5 023	5 206	6 166	6 349
Credit valuation adjustment risk	3 010	3 310	3 090	3 392
Market risk	5 558	3 308	5 558	3 308
Operational risk	31 617	21 939	31 617	21 939

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Investec Limited

Movement in RWAs

Investec Limited applied the FIRB approach from 1 April 2019, therefore comparison between March 2019 and March 2020 is based on FIRB numbers only. Total RWAs increased by R19.2 billion (6%) over the period, with the reasons identified in the categories below.

Credit risk RWAs

Credit risk RWAs increased by R13.8 billion (5.5%) from March 2019 to March 2020, mainly attributable to book growth in the Private Bank and Corporate Institutional Bank.

CCR and CVA RWAs

CCR RWA is the sum of Over the Counter (OTC) derivatives, Security Financing Transactions (SFTs) and the related regulatory CVA, of which total increased by R3,1 billion (38.9%) from March 2019 to March 2020. Our exposure to CCR and CVA is marginal at 3.3% of total RWA.

Equity risk RWAs

Equity risk increased by R7.0 billion. The increase is mainly driven by the demerger of Investec Asset Management and the retention of 8,74% of Ninety One's shares. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%. The impact of this is a proportionately much larger movement in RWA than the associated balance sheet equity value.

Market risk RWAs

Market risk RWAs are calculated using the VaR approach. Trading desks took on minimal levels of directional risk while primarily focusing on client facilitation under volatile market conditions.

Operational risk RWAs

Operational risk is calculated using the standardised approach and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income. The decrease is largely as a result of the demerger of Investec Asset Management.

Leverage ratios

	FIRB	
R'million	**Investec Limited^**	**IBL^***
As at 31 March 2020		
Exposure measure	**604 762**	**571 144**
Tier 1 capital	38 769	39 302
Leverage ratio- current**	**6.4%**	**6.9%**
Tier 1 capital 'fully loaded'^^	37 866	38 995
Leverage ratio- 'fully loaded'^^**	**6.3%**	**6.8%**

	Pro forma FIRB***		Standardised	
	Investec Limited^	**IBL^***	**Investec Limited^**	**IBL^***
As at 31 March 2019				
Exposure measure	**533 377**	**504 383**	**534 230**	**505 070**
Tier 1 capital	39 446	38 160	40 582	39 071
Leverage ratio- current**	**7.4%**	**7.6%**	**7.6%**	**7.7%**
Tier 1 capital 'fully loaded'^^	38 167	37 699	38 889	38 364
Leverage ratio- 'fully loaded'^^**	**7.2%**	**7.5%**	**7.3%**	**7.6%**

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*
** *The leverage ratios are calculated on an end-quarter basis.*
*** *We received approval to adopt the FIRB approach, effective 1 April 2019. We present numbers on a pro forma basis for 31 March 2019.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 15bps lower. At 31 March 2019, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower*
^^ *The key difference between the 'reported' basis at 31 March 2020 and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South African PA regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

Movement in total regulatory capital

The table below analyses the movement in common equity tier 1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

	FIRB	
At 31 March 2020 R'million	**Investec Limited**	**IBL***
Opening common equity tier 1 capital	**38 150**	**38 151**
New capital issues	–	899
Dividends	(3 257)	(1 236)
Profit after tax	9 710	3 090
Distribution on demerger	(4 280)	–
Treasury shares	(1 460)	–
Share-based payment adjustments	436	–
Movement in other comprehensive income	(1 077)	(2 502)
Goodwill and intangible assets (deduction net of related tax liability)	92	92
Investment in financial entity	476	557
Investment in capital of financial entities above 10% threshold	(692)	–
15% limit deduction	(789)	–
Shortfall of eligible provisions compared to expected loss	(629)	(629)
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(1)	(1)
IFRS 9 transitional arrangement	(225)	(225)
Other, including regulatory adjustments and transitional arrangements	413	355
Closing common equity tier 1 capital	**36 867**	**38 551**
Opening additional tier 1 capital	**2 432**	**920**
Other, including regulatory adjustments and transitional arrangements	(445)	(153)
Investment in capital of financial entities above 10% threshold	–	(16)
Movement in minority interest in non-banking entities	(85)	–
Closing additional tier 1 capital	**1 902**	**751**
Closing tier 1 capital	**38 769**	**39 302**
Opening tier 2 capital	**13 165**	**14 795**
Redeemed capital	(3 175)	(3 175)
Collective impairment allowances	20	18
Investment in capital of financial entities above 10% threshold	(647)	(27)
Other, including regulatory adjustments and transitional arrangements	2 522	1 294
Closing tier 2 capital	**11 885**	**12 905**
Closing total regulatory capital	**50 654**	**52 207**

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Total regulatory capital flow statement *(continued)*

At 31 March 2019 R'million	FIRB Investec Limited	FIRB IBL*
Opening common equity tier 1 capital	**34 379**	**34 829**
New capital issues	756	–
Dividends	(2 817)	(1 022)
Profit after tax	6 175	4 963
IFRS 9 adjustments	(894)	(894)
Treasury shares	(1 119)	–
Gain on transfer of non-controlling interest	320	–
Share-based payment adjustments	776	–
Movement in other comprehensive income	732	299
Goodwill and intangible assets (deduction net of related tax liability)	(5)	(5)
Investment in financial entity	10	(41)
IFRS 9 transitional arrangement	225	225
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(25)	(25)
Other, including regulatory adjustments and transitional arrangements	(363)	(178)
Closing common equity tier 1 capital	**38 150**	**38 151**
Opening additional tier 1 capital	**2 785**	**963**
New additional tier 1 capital issues	110	110
Other, including regulatory adjustments and transitional arrangements	(478)	(153)
Movement in minority interest in non-banking entities	15	–
Closing additional tier 1 capital	**2 432**	**920**
Closing tier 1 capital	**40 582**	**39 071**
Opening tier 2 capital	**12 348**	**14 009**
New tier 2 capital issues	849	849
Redeemed capital	(1 210)	(1 210)
Collective impairment allowances	241	242
Other, including regulatory adjustments and transitional arrangements	937	905
Closing tier 2 capital	**13 165**	**14 795**
Closing total regulatory capital	**53 747**	**53 866**

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

A summary of capital adequacy and leverage ratios

	FIRB	
	Investec Limited^	**IBL^***
As at 31 March 2020		
Common equity tier 1 (as reported)	10.9%	12.1%
Common equity tier 1 ('fully loaded')^^	10.9%	12.1%
Tier 1 (as reported)	11.5%	12.3%
Total capital ratio (as reported)	15.0%	16.4%
Leverage ratio** – current	6.4%	6.9%
Leverage ratio** – 'fully loaded'^^	6.3%	6.8%

	Pro forma FIRB***		Standardised	
	Investec Limited	**IBL***	**Investec Limited^**	**IBL^***
As at 31 March 2019				
Common equity tier 1 (as reported)	11.6%	12.5%	10.5%	11.2%
Common equity tier 1 ('fully loaded')^^	11.6%	12.5%	10.5%	11.1%
Tier 1 (as reported)	12.4%	12.8%	11.2%	11.5%
Total capital ratio (as reported)°	16.0%	17.7%	14.9%	15.8%
Leverage ratio** – current	7.4%	7.6%	7.6%	7.7%
Leverage ratio** – 'fully loaded'^^	7.2%	7.5%	7.3%	7.6%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*
** *The leverage ratios are calculated on an end-quarter basis.*
*** *We received approval to adopt the FIRB approach, effective 1 April 2019. We present numbers on a pro forma basis for 31 March 2019.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 15bps lower. At 31 March 2019, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower*
^^ *The key difference between the 'reported' basis at 31 March 2020 and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South Adrican PA regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

In terms of our dual listed companies structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the ratings agencies have assigned separate ratings to the significant banking entities within the group, namely Investec Bank plc and Investec Bank Limited. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings for Investec Bank Limited and Investec Limited at 16 June 2020 were as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch		
Long-term ratings		
Foreign currency	BB	BB
National	AA(zaf)	AA(zaf)
Short-term ratings		
Foreign currency	B	B
National	F1+(zaf)	F1+(zaf)
Viability rating	bb	bb
Support rating	5	3
Moody's		
Long-term ratings		
Foreign currency		Ba1
National		Aa1.za
Short-term ratings		
Foreign currency		NP
National		P–1(za)
Baseline Credit Assessment (BCA) and adjusted BCA		ba1
S&P		
Long-term ratings		
Foreign currency		BB-
National		za.AA
Short-term ratings		
Foreign currency		B
National		za.A–1+
Global Credit Ratings		
Local currency		
Long-term rating		AA(za)
Short-term rating		A1+(za)
International		
Long term rating		BB

The group's Internal Audit function covers all the geographies in which Investec Limited operates. These functions use a global risk-based methodology and cooperate technically and operationally.

Internal Audit reports at each Investec Bank Limited, Investec Limited, and Investec Wealth & Investment Audit Committee meetings and has a direct reporting line to the chairman of these committees as well as dotted lines to the appropriate chief executive officers. For administrative purposes, the Investec Limited head of Internal Audit also reports to the global head of corporate governance and compliance. The function operates independently of executive management, but has regular access to the Investec Bank Limited and group chief executive officers and to business leaders. The function complies with the International Standards for the Professional Practice of Internal Auditing, and is subject to an independent Quality Assurance Review (QAR) at appropriate intervals. A QAR review has recently been undertaken covering Investec Limited methodology and international practice which indicated that Internal Audit is generally compliant with the requirements of the global institute of Internal Auditors (IIA) standards, as well as King IV and the Banks Act.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. Very high risk businesses and processes are audited every six to twelve months, with other areas covered at predetermined rotational intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given the bank's dependence on IT systems. Thematic audits, which cover processes across multiple business units, are part of the audit plan and serve to provide consistent and integrated assurance between group functions and the operating entities. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of integrated assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, where remediation procedures and progress are considered and monitored in detail by management. The audit committees receive a report on significant control issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to the Investec Bank Limited, Investec Limited, and Investec Wealth & Investment audit committees.

Internal Audit's activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness to meet an increasingly demanding corporate governance and regulatory environment including the requirements of King IV in South Africa. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec Limited's diverse requirements, which is assessed annually by the audit committees with no adverse outcomes. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal Audit resources are subject to review by the Investec Bank Limited, Investec Limited, and Investec Wealth & Investment audit committees to ensure resourcing is appropriate, that the function operates independently and effectively, and appropriate succession planning is in place.

Regulatory change continues to be a key feature in the financial sector with ongoing global political events adding uncertainty as to the shape of financial services regulation going forward. Technological risk and social concerns, including environmental sustainability, are increasingly being addressed through regulation.

Global regulators expect financial services institutions to implement robust governance arrangements to enhance stability and ensure financial services are delivered in an appropriate manner. Regulators continue to focus on promoting resilience in financial markets, with sustained emphasis on recovery and resolution plans and structural enhancements to the banking sector as well as customer and market conduct related reforms.

Non-financial risks such as cybersecurity breaches and employee misconduct are a focus for regulators to ensure that consumers are appropriately protected and that stakeholders are treated appropriately. The maintenance of data quality and security remains a high priority for the banking industry and its regulators, in order to increase the efficiency of delivery and strengthen oversight.

The group remained focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in each of our jurisdictions. Our culture is central to our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

Year in review

Changes to the regulatory landscape in South Africa

Regulatory developments in the South African financial sector are ongoing. The two new authorities, namely the Financial Sector Conduct Authority (FSCA) and the South African PA became effective from April 2018. The FSCA has proceeded with its mandate as the conduct regulator responsible for the regulation and supervision of financial institutions, that provide financial products and financial services i.e. financial institutions that are licensed in terms of the financial sector law. The South African PA continues with its mandate to prudentially regulate financial institutions by supervising the financial safety and soundness of financial institutions. The regulatory reform will continue for at least the next couple of years.

Conduct risk and consumer protection

The draft Conduct of Financial Institutions Bill (COFI) was published by the FSCA for comment in December 2018. The intention is that the COFI legislation, once enacted, will consolidate and strengthen conduct laws and ensure financial inclusion and transformation of the financial sector. The next reiteration of the COFI Bill is to be published for public comment in the second or third quarter of 2020.

Other significant, relevant regulatory developments impacting Investec include the Insurance Act; Draft Central Counterparty (CCP) licence applications; external CCP and Trade Repository (TR) licence and Impact assessment; Draft Equivalence Framework External TRs; CCPs and Central Securities Depositories; Joint standard margin requirements for non-centrally cleared Over-the-Counter derivative transactions; the reports for the Retail Banking Diagnostic (including requests from the FSCA to the banking sector in response to the findings in the report); the Wholesale Financial Markets Review; the Retail Distribution Review proposals and the Draft Conduct Standard for Banks.

The Information Regulator has written to President Cyril Ramaphosa requesting the proclamation of the remaining sections of the Protection of Personal Information Act (the Act) be effective by the new financial year. In addition, the Information Regulator has published a second draft of the Guidelines for Codes of Conduct for specific sectors as allowed for by the Act. As part of the transitional arrangements, organisations will be required to be fully compliant within one year after commencement of the Act.

The General Data Protection Regulation (GDPR) applies since the 25 May 2018. GDPR brings about a single set of data protection rules for all organisations who provide goods and services or monitor the behaviour of residents in the European Union and United Kingdom, regardless of where the organisations are based.

In order to ensure that Investec Limited complies with all applicable data protection legislation, the requirements of PoPIA and GDPR have been aligned.

Financial crime

Financial crime remains a key regulatory focus for the bank. The economic and social impact of financial crime within South Africa, especially corruption, has led us to continuously monitor local and global developments and assimilate these into our AML, CFT, Sanctions and anti-bribery and corruption practices.

Changes introduced by the Financial Intelligence Centre Amendment Act, 2017 (Act No. 1 of 2017) placed more ownership on financial institutions to design control mechanisms commensurate to its risks, which in turn enabled the group to focus its efforts on perceived higher risks. We have embraced the use of technology to aid in understanding our client risk profiles and improve our ability to monitor client transactions and behaviour.

Tax reporting (FATCA/CRS)

South Africa and Mauritius have inter-governmental agreements in place with the USA and each have enacted local law/regulation to implement FATCA. This allows South Africa and Mauritius to be treated as participating countries. This means that financial institutions in these countries report information annually on US clients (or non-compliant clients) to the South African Revenue Services (SARS) and the local Mauritian authority respectively. These authorities in turn exchange information with the USA which reciprocates with similar information (on South African and Mauritian tax residents respectively who hold financial accounts in the US). Both South Africa and Mauritius are in the process of preparing their sixth annual FATCA reports. The CRS became effective in South Africa on 1 March 2016. South Africa opted for the 'wider-wider approach' which means that all South African reporting financial institutions, are required to collect tax-related information on all clients, rather than only in respect of the 102 countries which have currently opted into CRS. Consistent with the FATCA reporting regime, CRS reportable information is submitted to SARS annually. SARS then exchanges this information with relevant countries in return for reciprocal information on South Africans with financial accounts in those countries. South Africa is in the process of preparing its fourth annual CRS report. Mauritius conducted its first exchange of information in 2018 and is in the process of preparing its third annual CRS report. The OECD recently published Mandatory Disclosure Rules (MDR) that aim to provide tax administrations with information on CRS avoidance arrangements and opaque offshore structures, including the users of those arrangement and structures and those involved with facilitation. SARS recently published draft revised CRS regulations and has proposed to include the MDR requirements in these revised regulations. The industry is pushing back on the effective date for implementation of MDR.

We are facing a challenging global economic environment with resilient client franchises

Chairman's introduction

Dear Shareholder

It is my pleasure to present the corporate governance report for the year ended 31 March 2020. The report details our approach to corporate governance in practice, how we operate and our key activities during the year, together with information on the annual board evaluation process. For the purpose of this report, the board Investec Limited will be referred to as the board.

Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the dual listed company (DLC) structure. The board is responsible for statutory matters and corporate governance for the group and sets the standards for the subsidiaries of the group.

The boards of Investec Bank plc (IBP) and Investec Bank Limited (IBL), the UK and South African regulated banking subsidiaries of the group respectively, are responsible for the statutory matters and corporate governance for the group and respective banks, and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. Stakeholders are therefore encouraged to also read the corporate governance reports as contained in the IBP 2020 annual report and IBL 2020 annual report.

Before looking in more detail at the key aspects of our governance, I would like to reflect on the board's achievements and the challenges encountered over the past year, and to consider the key areas of focus for the board in the year ahead.

The past year in focus

A year of change

Change has been an evident theme of the past year, in particular, with regards to the demerger and separate listing of the Asset Management business, which was successfully completed in March 2020, with the formation of Ninety One, a global asset manager with an emerging market heritage. The demerger has simplified the group, allowing the banking and wealth businesses to focus on their growth plans to build on the current and potential linkages between our businesses.

The operating environment remained challenging over the year, with confidence impacted by the uncertainty around global trade tensions and muted economic growth in South Africa. Economies experienced further volatility in the fourth quarter of the financial year as a result of the global outbreak of COVID-19. Against this backdrop, the Investec group reported a decrease in adjusted operating profit of 16.8%. Earnings were characterised by growth in client-related revenues and much tighter cost containment. However, this was more than offset by significantly lower investment income and trading revenues, and higher expected credit loss charges given the economic backdrop.

The board and leadership team has also seen significant change during the financial year and continuing into the new year, including the departures of Hendrik du Toit as joint chief executive officer (CEO) and Kim McFarland as an executive director and the appointment of Ciaran Whelan as an executive director. The board has also announced its intention, subject to regulatory approval, to appoint Richard Wainwright as an executive director. The changes to the board and leadership team have been delivered through planned and structured succession in order to bring new skills to the board, but to also provide continuity and retain knowledge within the organisation, with both Ciaran and Richard being internal appointments.

Strategy

The group remains driven by our founders' entrepreneurial spirit and commercial integrity. We have built a reputation for forging strong, open and long-standing partnerships with our clients. Investec's culture and values continue to underpin the organisation in achieving its strategic objectives. The group continued to make progress in its stated strategy to simplify and focus the business in pursuit of disciplined growth in the long term. The Investec group completed the demerger of the asset management business, executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses, reduced operating costs and delivered loan book growth and client acquisition. In addition, the group has continued to focus on its long-term commitment to One Investec; a client-focused strategy where, irrespective of specialisation or geography, there is a commitment to offer clients the full breadth and scale of Investec's products and services.

To deliver on One Investec, there is a focus on imperative collaboration between the banking and wealth businesses; together with continued investment and support into these franchises. This will position Investec for sustainable long-term growth.

Board composition

As identified above, the composition of the board and the leadership team has further evolved. The board, working closely with the DLC Nominations and Directors' Affairs Committee (DLC Nomdac), continues to drive and monitor succession planning. The succession of the group's executive management, in particular, has been a key focus area for the board. Since the previous annual report, the following changes have been affected in respect of the composition of the board:

- Stephen Koseff and Bernard Kantor, who served as executive directors of the board, did not stand for re-election at the 2019 Annual General Meeting (AGM), and therefore stood down from the board with effect from 8 August 2019. Stephen continued to oversee the demerger and separate listing of Ninety One. The board's is grateful to Stephen and Bernard for their exemplary service, commitment and contribution to the group since the 1980's

- Cheryl Carolus and Laurel Bowden, who served as non-executive directors of the board, did not stand for re-election at the 2019 AGM, and therefore stood down from the board with effect from 8 August 2019. The board is grateful to Cheryl and Laurel for their dedication and contribution to the group, and wishes them well with their future endeavours
- Henrietta Baldock and Philisiwe Sibiya were appointed as non-executive directors of the board with effect from 9 August 2019. Henrietta was appointed a member of the DLC Board Risk and Capital Committee (BRCC), and Philisiwe was appointed a member of the DLC Audit Committee and DLC BRCC
- Subsequent to the demerger of the Asset Management business, Hendrik du Toit and Kim McFarland stepped down from the board, with effect from 16 March 2020, to focus their efforts on Ninety One. The board offers its sincere thanks to Hendrik and Kim for their exemplary service, dedication and commitment to the group. They go with our very best wishes for their roles at an independent Ninety One, where Hendrik has become CEO and Kim chief financial officer (CFO), and we wish them every success
- Fani Titi continues on the board, as sole CEO, and Nishlan Samujh continues as Finance Director of the group
- Ciaran Whelan, who has been acting as group head of risk, was appointed as an executive director with effect from 1 April 2020
- David van der Walt was appointed as an executive director with effect from 1 April 2020. David stepped down as a director on 4 June 2020. The board offers its sincere thanks to David for his long service, dedication and contribution to the group
- The board announced its intention, subject to regulatory approval, to appoint Richard Wainwright, CEO of IBL and head of the South African Specialist Banking business, as an executive director
- Ian Kantor, co-founder and former CEO of the group, who currently serves as a non-executive director, will not stand for re-election at the 2020 AGM. The board is grateful to Ian for his exemplary service, commitment and contribution to the group, and wishes him well with his future endeavours.

Diversity

The group strives to prevent and eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, sexual preference, political opinion, sensitive medical conditions, nationality or country of origin or any other form of discrimination. We are committed to attracting, developing and retaining a diverse team of talented people and our recruitment strategies prioritise previously disadvantaged candidates, where possible. A diverse workforce is vital to our ability to continue to be an innovative organisation that can adapt and prosper in a fast-changing world. We have various formal and informal processes to encourage debate and dialogue, valuing diversity and difference across the group.

We have a board diversity policy, setting out the targets for board composition in terms of gender and race. The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of 2020 calendar year, and as at the date of this report, there was a 23% representation of women on the board. In terms of ethnic diversity, as at 31 March 2020, there were five persons of colour, as defined by the Parker review, who are board members. The group is also a member of the 30% Club in South Africa.

The board recognises that more still needs to be done, in particular, in regard to the representation of women on the board, which has declined in the year, following Kim McFarland stepping down from the Investec board and onto the board of Ninety One (as a result of the Investec Asset Management demerger).

Our target for female board representation remains 33% and we are committed to achieving this target. We are committed to improving the diversity of the board, for a diverse board remains essential to the group, bringing indisputable benefits, including distinct and different outlooks, alternative points of view, and mindsets able to challenge the status quo.

In addition, the group reported on its gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to further promote diversity.

Corporate governance

Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust. We demand cast-iron integrity in all internal and external dealings and an uncompromising display of moral strength and behaviour.

We believe that open and honest dialogue is the appropriate process to test decisions, reach consensus and accept responsibility. We have adopted a multi-dimensional approach involving everyone in the organisation which incorporates challenge at every level as a defence mechanism against corruption and fraud. Creating fraud and ethics awareness throughout the organisation assists in influencing ethical behaviour.

Following the enhancement of the independent governance structure of IBL in the previous year, during the year under review we focused on embedding the structure and processes across the group.

For the financial year ended 31 March 2020, the Investec group applied and was compliant with the King IV Code.

Board effectiveness

The board regularly reviews its own effectiveness and therefore undertakes a formal evaluation of its performance and that of its committees and individual directors annually. In accordance with recognised codes of corporate governance, the evaluation of the board is externally facilitated at least every three years. As the 2018 board effectiveness review was externally facilitated by Professor Robert Goffee, the DLC Nomdac and the board agreed that the board effectiveness review for 2019 would be internally facilitated, and take the form of a self-assessment questionnaire, followed by one to one meetings with the chairman.

The findings were collated and presented to the DLC Nomdac at the January 2020 meeting, prior to presentation to the board at the February 2020 meeting. Overall, the board members were found to be satisfied with various aspects of board governance and functioning. The board effectiveness review identified that there had been an improvement to the overall effectiveness of the board, in particular, within the context of the significant changes to the executive leadership team and the governance framework. Further details regarding the 2019 board effectiveness review may be found in the DLC Nomdac report on page 134.

Stakeholder engagement

The board oversees and monitors, on an ongoing basis, how the consequences of our organisation's activities and outputs impact its status as a responsible corporate citizen. This oversight and monitoring is performed against measures and targets agreed with management regarding the workplace, economy, society and environment. Our group-wide philosophy seeks to maintain an appropriate balance between the interests of all stakeholders and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

During the past year, the board has continued its shareholder consultations. These consultations included discussions on the progress made on the group's strategic initiatives, the impact of the changes in the economic environment on the group as well as various other key governance topics.

For further information regarding the group's engagement with our stakeholders refer to page 163.

The year ahead

As the year drew to a close, we faced the challenges resulting from the COVID-19 pandemic. Similar to other organisations, we have taken decisive action to help ensure the welfare of our people, to assist our clients, to support our community, to work with the initiatives put forward by the governments in the jurisdictions in which we operate, and to manage the heightened risk environment. There remains uncertainty, as to the depth of the potential downturn in activity, the duration of restrictive measures and the exit plans within the geographies in which we operate. At the present time it is difficult to predict the full impact that the pandemic will have on the group. The board will continue to meet regularly, on a virtual basis, to ensure that our responsibilities are fulfilled, appropriate support is provided, risks are carefully managed and potential opportunities assessed as the Investec group navigates these turbulent times.

In the coming year, a key focus for the board will be the consideration of the governance structure of the group, and the governance structures of the group's core banking and wealth subsidiaries, following the demerger and separate listing of Ninety One. The board, with the assistance of the DLC Nomdac, will also undertake a review of the composition of the board, to ensure that it remains appropriate for the group, and that the members of the board have the necessary skills, knowledge, experience and diversity required to conduct the affairs of the group.

The board will continue to focus on those matters that will support our strategic priorities, enabling growth with discipline and enhancing both the service we are able to provide to our clients and the returns for our shareholders. There will be increased connectivity between our banking and wealth businesses, together with the further development of our digital capabilities. Heightened cost management rigour remains a key priority, particularly in the current economic environment. Whilst overseeing the delivery of our strategic priorities, the board will ensure adherence to good corporate governance and sound decision making that includes full and proper regard to the environmental impact of our activities, and the interests of all our stakeholders.

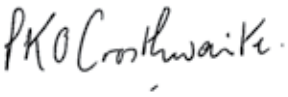
Conclusion

The careful selection of people, their ongoing development and uncompromising commitment to our stated values will continue to be a distinctive characteristic of Investec's culture and drive.

We will continue to integrate social, ethical and environmental considerations into day-to-day operations and our sustainability approach is based on the integration of people, planet and profit.

Most importantly, our immediate focus in these unprecedented times, is the wellbeing and safety of our employees and clients. We will continue to support and stay close to clients, and ensure we deliver the excellence of service that they expect and value.

Over the following pages, you will find more detail on the group's governance framework, including who the board and management are, how they make decisions and what they have done over the past year in terms of their leadership, strategic direction, and oversight of the organisation. We trust that this report, together with the group's 2020 annual report and financial statements, will provide you with an overview of how we are managing the group and promoting the interests of all our stakeholders.



Perry Crosthwaite
Chairman

16 June 2020

Within this report you will find:

Who we are

Director biographies

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

Perry KO Crosthwaite

Investec plc and Investec Limited chairman

Age: 71

Qualifications: MA (Hons) (Oxon) in modern languages

Relevant skills and experience
Perry was appointed chairman of Investec plc and Investec Limited on 15 May 2018. Perry was previously senior independent director of Investec plc and Investec Limited, a position he held from August 2014 to March 2018, having joined the boards of Investec plc and Investec Limited in June 2010. Perry is a former chairman of Investec Investment Banking and Securities and left the group on 31 March 2004. Perry has financial experience gained through a career in investment banking with over 30 years of experience. Perry has previously served as a non-executive director of Melrose Industries plc and Toluna plc, chairman of Jupiter of Green Investment Trust and was a founding member of Henderson Crosthwaite Institutional Brokers Limited.

External appointments
None

Committee membership
DLC BRCC, DLC Nomdac (chairman) and DLC Remuneration Committee

Date of appointment
18 June 2010

Zarina BM Bassa

Senior independent non-executive director

Age: 56

Qualifications: BAcc, DipAcc, CA(SA)

Relevant skills and experience
Zarina is a former partner of Ernst & Young Inc. She joined the Absa group in 2002 and was an executive director of Absa Bank, a member of the group's executive committee, and Head of the Private Bank. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a board member of the Accounting Standards Board and a member of the JSE GAAP Monitoring Panel. Zarina has previously served as a non-executive director at several companies including the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Vodacom South Africa Proprietary Limited, Mercedes SA and the Financial Services Board. Zarina was appointed as the senior independent non-executive director of Investec plc and Investec Limited on 1 April 2018.

External appointments
Oceana Group Limited, YeboYethu Limited, Woolworths Holdings Limited and JSE Limited

Committee membership
DLC Audit Committee (chair), DLC BRCC, DLC Nomdac and DLC Remuneration Committee

Date of appointment
1 November 2014

Henrietta C Baldock

Independent non-executive director

Age: 49

Qualifications: BSc Hons in Economics and Accounting

Relevant skills and experience
Henrietta has extensive knowledge of the financial services sector, through her 25 years' experience in investment banking, most recently as chairman of the European Financial Institutions team at Bank of America Merrill Lynch. Henrietta joined Bank of America Merrill Lynch in 2000 and served as its Vice President of the Financial Institutions Group, Managing Director and Head of European Financial Institutions Investment Banking. She started her career as a generalist adviser and has focused on financial institutions since 1995.

External appointments
Hydro Industries Limited, Legal and General Assurance Society Limited and Legal and General Group plc

Committee membership
DLC BRCC

Date of appointment
9 August 2019

Philip A Hourquebie

Independent non-executive director

Age: 66

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

Relevant skills and experience
Philip has been a Regional Managing Partner of two regions of Ernst & Young (Africa and Central and South East Europe, including Turkey). Philip left Ernst & Young in 2014. As a senior partner at Ernst & Young Inc. Philip's background is in advisory services in both the private and public sector. As an advisory partner and senior client service partner, he has worked, *inter alia*, with clients in financial services, mining, telecommunications, consumer products and retail, state-owned enterprises, government agencies and government departments at all three levels. Philip has also been a past chairman of the board of South African Institute of Chartered Accountants (SAICA).

External appointments
Aveng Limited

Committee membership
DLC Audit Committee, DLC BRCC, DLC Nomdac and DLC Remuneration Committee (chairman)

Date of appointment
14 August 2017

David Friedland

Independent non-executive director

Age: 66

Qualifications: BCom, CA(SA)

Relevant skills and experience
David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in the KPMG Cape Town office before leaving in March 2013.

External appointments
The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

Committee membership
DLC BRCC (chairman) and DLC Nomdac

Date of appointment
1 March 2013

Charles R Jacobs

Independent non-executive director

Age: 53

Qualifications: LLB

Relevant skills and experience
Charles brings to the board a valuable combination of knowledge of the UK regulatory and corporate governance standards, global capital markets and M&A. Charles sits on the board of Fresnillo plc, a FTSE company. He was appointed a member of the Shanghai International Financial Advisory Council in 2019. Charles has over 27 years of experience of advising companies around the world, including in relation to their compliance, regulatory and legal requirements. Charles chairs Linklaters and holds an LLB from Leicester University.

External appointments
Fresnillo plc

Committee membership
DLC Remuneration Committee

Date of appointment
8 August 2014

Rt. Hon. Lord Malloch-Brown KCMG

Independent non-executive director

Age: 66

Qualifications: BA (Hons) (History), MA (Political Science)

Relevant skills and experience
Lord Malloch-Brown chairs or is on the board of several commercial entities, as well as Not for Profits, and is Senior Advisor to the Eurasia Group. He was a UK government minister and member of the cabinet. Lord Malloch-Brown was formerly the deputy secretary general of the United Nations as well as a vice president at the World Bank. He was the head of United Nations Development Programme and a journalist at the Economist, with wide ranging experience of boards. He also chaired the Business and Sustainable Development Commission (BSDC).

External appointments
Seplat Petroleum Development Company plc, SGO Corporation Limited, I Squared Capital and Grupo T-Solar Global SA

Committee membership
DLC Nomdac and DLC SEC (chairman)

Date of appointment
8 August 2014

Ian R Kantor

Non-executive director

Age: 73

Qualifications: BSc. Eng (Elec) MBA

Relevant skills and experience
Ian is a co-founder of Investec, served as the chief executive of IBL until 1985 and was the chairman of Investec Holdings Limited until 2002. Ian started his career at IBM, before joining Lease Plan International. Immediately prior to Investec, Ian taught business finance at the University of the Witwatersrand. Ian moved to the Netherlands in 1988, to develop the Insinger de Beaufort Group, a private bank, which had been established in 1779. He later resigned as CEO of the bank, to be appointed Deputy Vice Chairman of the group, following the formation of a partnership between Insinger de Beaufort and BNP Paribas.

External appointments
Blue Marlin Holdings South Africa (formerly Insinger de Beaufort Holdings South Africa, in which Investec Limited indirectly holds an 8.3% interest)

Committee membership
None

Date of appointment
30 July 1980

Khumo L Shuenyane

Independent non-executive director

Age: 49

Qualifications: BEcon, CA (England and Wales)

Relevant skills and experience
Khumo has served as an independent non-executive director of Investec Limited and Investec Plc since 2014. He also serves on the boards of a number of other companies within the Investec group, including Investec Bank Limited, Investec Life Limited and Investec Property Fund Limited. He was appointed Chairman of Investec Bank Limited in 2018.

Khumo has been appointed as an independent non-executive director of Vodacom Group Limited with effect from 1 July 2020. He previously worked with Delta Partners, a global advisory firm headquartered in Dubai and focused on the telecoms, media and technology sectors, in various capacities for six years from 2014. Between 2007 and 2013 Khumo served as Group Chief Mergers & Acquisitions Officer for MTN Group Limited and a member of its Group Executive Committee.

Khumo previously worked for Investec Bank for nine years, serving as head of Principal Investments for three years and a member of Investec's corporate finance team before that. Prior to joining Investec in 1998, Khumo worked for Arthur Andersen in Birmingham, UK and in Johannesburg for six years from 1992. He qualified as a member of the Institute of Chartered Accountants in England & Wales in 1995.

External appointments
None

Committee membership
DLC BRCC, DLC Nomdac and DLC SEC

Date of appointment
8 August 2014

Philisiwe G Sibiya

Independent non-executive director

Age: 43

Qualifications: BAcc, Dip Acc, CA(SA)

Relevant skills and experience
Philisiwe spent 15 years in the Telecommunications and Media sector. She spent 12 years at MTN Group where she held various roles including as Group Finance Executive of MTN Group, CFO MTN South Africa and the last three years as CEO MTN Cameroon. Prior to this she spent three years with Arthur Andersen Johannesburg. Philisiwe is the founder and chief executive officer of Shingai Group.

External appointments
AECI Limited and Shingai Group (Pty) Limited

Committee membership
DLC Audit Committee and DLC BRCC

Date of appointment
9 August 2019

Fani Titi

Group chief executive officer

Age: 57

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

Relevant skills and experience
Fani has been a member of the boards of Investec Limited and Investec plc since January 2004 and was non-executive chairman of Investec Limited and Investec plc from November 2011 until 15 May 2018. He has also been a member of the IBL board from July 2002, and the IBP board from August 2011. He has served on the board of Investec Asset Management from November 2013 and remains on the board of the newly listed Ninety One as a non-executive director. Fani was a founding member of the private investment group Kagiso Trust Investments Limited (now Kagiso Tiso Holdings), and later cofounded and led the public offering of Kagiso Media Limited on the JSE Limited as its CEO. Fani was subsequently the founding executive chairman of the private investment firm the Tiso Group, which subsequently merged with Kagiso Trust Investments to form Kagiso Tiso Holdings. Fani stepped down from the Tiso Group in 2008 to concentrate his time on his duties at the Investec group, while also looking after his private investment portfolio. Fani has over two decades of investment banking experience and has sat on the boards of different investee companies and JSE listed companies. Fani has also joined the Secretary General of the United Nations CEO Alliance on Global Investors for Sustainable Development (GISD). Fani was appointed joint group chief executive officer of Investec group on 01 October 2018 and following the demerger and separate listing of Ninety One, became the sole chief executive officer of the group.

External appointments
Ninety One plc

Committee membership
DLC BRCC and DLC SEC

Date of appointment
30 January 2004

Nishlan Samujh

Group finance director

Age: 46

Qualifications: BAcc; Dip Acc, CA(SA) HDip Tax

Relevant skills and experience
Nishlan started his career in 1996 at KPMG Inc. In 1999, he proceeded to join Sasol Chemical Industries for a short period before joining Investec in January 2000. Nishlan started his career at Investec in the financial reporting team as a technical accountant. In 2010 he took on the full responsibility for the finance function in South Africa. This role developed into the Global Head of Finance. Nishlan was appointed as finance director of Investec plc and Investec Limited on 1 April 2019.

External appointments
None

Committee membership
DLC BRCC

Date of appointment
1 April 2019

James KC Whelan

Executive Director

Age: 57

Qualifications: FCA (Irish), HDip Tax (South Africa)

Relevant skills and experience
James, known as Ciaran, joined Investec in 1988. He has had varied experience within Investec, including chief executive officer of Investec Bank Australia Limited and the global head of Investec Private Bank. Prior to joining Investec, Ciaran was an audit manager at KPMG Inc. having completed his articles at Coopers & Lybrand in Ireland. Ciaran was appointed as an executive director of Investec plc and Investec Limited on 1 April 2020 and as CEO of Wealth & Investment (UK), subject to regulatory approval.

External appointments
None

Committee membership
None

Date of appointment
1 April 2020

Governance Framework

Investec operates under a dual listed companies (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the complies with the requirements in both jurisdictions.

From a legal perspective, the DLC comprises:

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

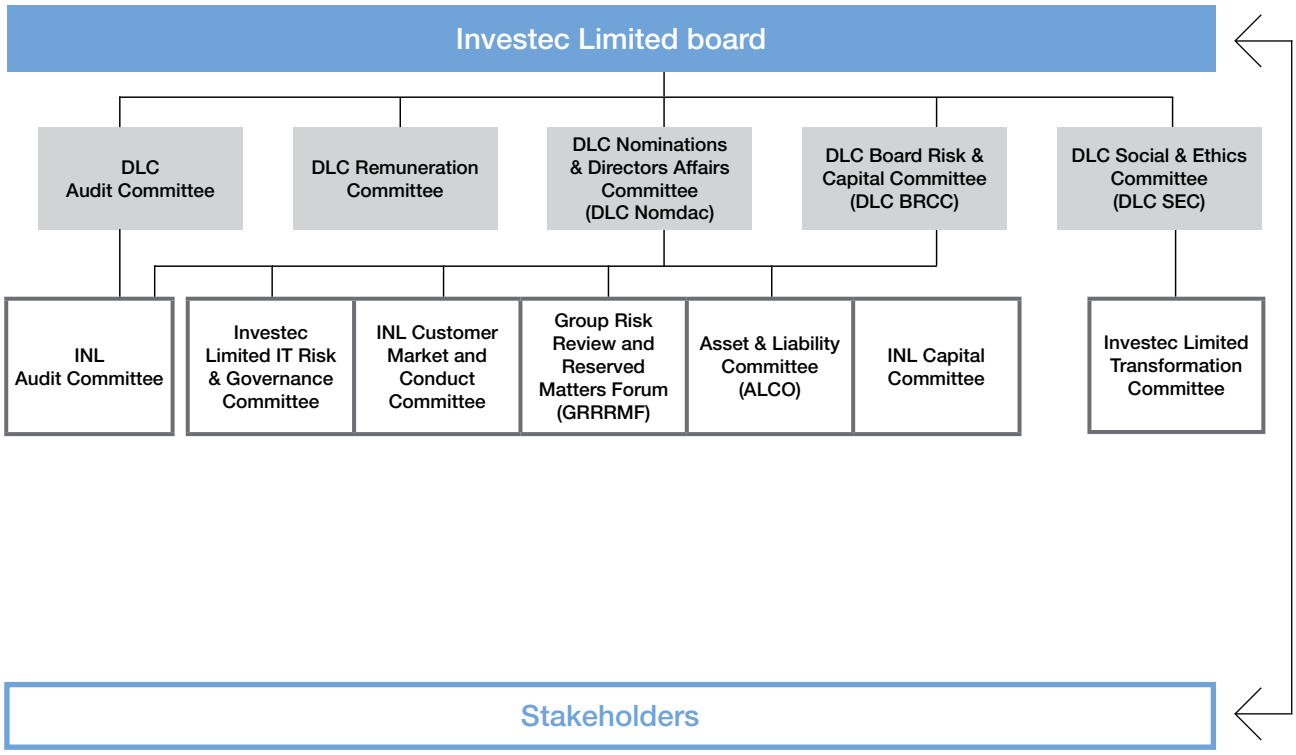
The boards of Investec plc and Investec Limited are identical in terms of their composition and board meetings are held jointly. The committee structure has been derived from the requirements of the UK Corporate Governance Code and the King IV Code, as well as the activities of the group.

As a result of the DLC structure, the DLC BRCC, DLC Nomdac, DLC Remuneration Committee and DLC SEC act as the respective committee for both Investec Limited and Investec plc. The reports of these committees therefore have been incorporated into this report, without adaptation, from that contained within volume one of the Investec group's 2020 integrated annual report.

Our governance activities are aligned with the South African Companies Act, No 71 of 2008, as amended (the South African Companies Act), the JSE Listings Requirements, the King IV Code, the South African Banks Act 94 of 1990 (South African Banks Act), the UK Companies Act 2006 (UK Companies Act) and the UK Corporate Governance Code 2018.

The board of IBL, the South African regulated banking subsidiaries of the group respectively, and the board of IW&I, our regulated wealth subsidiary, are responsible for the statutory matters and corporate governance for the respective entities and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. The board and board committees of IBL and IW&I report to the board and the board committees of the group, with the interconnection between the respective board committees, supported by the membership or attendance of the Chairman of the group board committee at the respective subsidiary board committee.

The governance framework from a group perspective is detailed below:



Board and executive roles

The key governance roles and responsibilities of the board are outlined below:

Chairman	*Chief executive officer*	*Finance director*
• Responsible for the leadership of the board and ensuring its overall effectiveness • Sets the board agenda, ensuring that there is sufficient time available for the discussion of all items, and that the board meets with appropriate frequency • Acts as facilitator at board meetings to ensure that no director, whether executive or non-executive, dominates the discussion, ensures that the discussion is appropriate and that the discussions result in logical and understandable outcomes • Demonstrates objective judgement and encourages open and honest dialogue between all board members • Leads and manages the dynamics of the board, providing direction and focus • Ensures that the board sets the strategy of the group and assists in monitoring the progress towards achieving the strategy • Oversees the integrity and effectiveness of the governance processes of the board • Leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all board members • Responsible for the evaluation of the performance of the board collectively, non-executive board members individually and contributes to the evaluation of the performance of the executive directors • Maintains regular dialogue with the CEO in respect of all operational matters and consults with the remainder of the board promptly on any relevant matter • Ensures that the board sets the tone from the top, in regard to culture • Serves as the primary interface with regulators and other stakeholders on behalf of the board.	• Leads and manages the group within the authorities delegated by the board • Develops and recommends business plans, policies and objectives for consideration by the board, taking into consideration business, economic and political trends that may affect the operations of the group • Develops strategic proposals for consideration and recommendation to the board • Implements the decisions of the board and delivers the agreed strategic objectives • Ensures the group's unique culture is embedded and perpetuated • Develops and supports the growth of all the groups' businesses • Monitors and manages the day-to-day operational requirements and administration of the group.	• Leads and manages the group finance functions • Provides the board with updates on the group's financial performance • Provides strategic and financial guidance to ensure that the group's financial commitments are met • Submits reports, financial statements and consolidated budgets for consideration by the board • Oversees the financial management of the group including financial planning, capital, cash flow and management reporting • Develops all necessary policies and procedures to ensure the sound financial management and control of the group's business.

Senior independent director	*Non-executive director*	*Company secretary*
• Addresses any concerns or questions from shareholders and non-executive directors • Provides a sounding board to the chairman • Leads the board in the assessment of the effectiveness of the chairman, and the relationship between the chairman and the CEO • Acts as a trusted intermediary for non-executive directors, if required, to assist them in challenging and contributing effectively to the board.	• Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenges and contributes to assist in developing the group's strategy • Monitors the performance of management against their agreed strategic goals • Oversees the effectiveness of internal controls and the integrity of financial reporting • Reviews succession planning for the board and management • Oversees the risk management framework • Oversees the remuneration of the executive directors and the group's employees.	• Maintains the flow of information to the board and its committees and ensures compliance with board procedures • Minutes all board and committee meetings to record the deliberations and decisions taken therein • Provides expertise to effect board compliance with relevant legislation and regulations • Ensures good corporate governance is implemented and advises the chairman and board in that regard • Guides the directors collectively and individually on their duties, responsibilities and powers • Reports any failure on the part of the group or any individual director to comply with the articles or the relevant legislation • Ensures board procedures are followed and reviewed regularly • Ensures applicable rules and regulations for conducting the affairs of the board are complied with • Facilitates a programme for the induction and ongoing development of directors • Maintains statutory records in accordance with legal requirements • Guides the board on how its responsibilities should be properly discharged in the best interests of the organisation • Keeps abreast of, and informs, the board of current and new developments regarding corporate governance thinking and best practice.

Board composition

Membership

At the date of this annual report, the board comprised three executive directors and ten non-executive directors, including the chairman. The changes to the composition of the board, which occurred during the year are as follows:

- Stephen Koseff and Bernard Kantor, who served as executive directors of the board, did not stand for re-election at the 2019 Annual General Meeting (AGM), and accordingly stood down from the board with effect from 8 August 2019. Stephen continued to oversee the demerger and separate listing of Ninety One
- Subsequent to the demerger of Ninety One, Hendrik du Toit and Kim McFarland, joint CEO and executive director respectively, stepped down from the board of the group, with effect from 16 March 2020
- Fani Titi remains on the board, as sole CEO, and Nishlan Samujh continues as finance director of the group
- Ciaran Whelan, who has been acting as group head of risk, and David van der Walt, who was formerly the CEO of IBP, were appointed as executive directors with effect from 1 April 2020
- The board announced its intention, subject to regulatory approval, to appoint Richard Wainwright as an executive director
- David van der Walt stepped down as a director with effect from 4 June 2020
- Laurel Bowden and Cheryl Carolus, who served as non-executive directors of the board, did not stand for re-election at the 2019 AGM, and accordingly stood down from the board with effect from 8 August 2019
- Henrietta Baldock and Philisiwe Sibiya were appointed as non-executive directors of the board with effect from 9 August 2019. Henrietta was appointed a member of the DLC BRCC, and Philisiwe was appointed a member of the DLC Audit Committee and DLC BRCC
- Philip Hourquebie, an independent non-executive director of the group, was designated as the non-executive director for workforce engagement. Further information in respect of this role, and the board's engagement with our workforce may be found on pages 159 to 161.

The names of the directors during the year as at the date of this annual report, and the dates of their appointments are set out in the table on page 130.

Further information regarding the group's management and board may be found in the DLC Nomdac report on pages 134 to 137.

Independence

The Investec group board considers the guidance set out in the King IV Code and directive 4/2018, as issued by the South African Prudential Authority, when considering the independence of members of the board.

Throughout the year ended 31 March 2020, the board was compliant with the King IV Code, in that the majority of the board, excluding the chairman, comprise independent non-executive directors.

Open and honest dialogue is part of Investec's culture, and robust, independent challenge is a fundamental component of how the board operates. The DLC Nomdac, which has been delegated the responsibility of reviewing the directors' independence, considers all relevant circumstances, in undertaking its obligation to ensure that the directors demonstrate independence of character and judgement, and exhibit this in the boardroom by providing challenge to the executive board members.

The board, at the recommendation of the DLC Nomdac believes that it functions effectively and that the non-executive directors are independent of management and promote the interests of stakeholders. The proportion of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the board's processes or have unfettered powers of decision-making.

The board is of the view that the chairman, Perry Crosthwaite, was independent on appointment. In accordance with the South African Prudential Authority's Directive 4/2018, the board, noting that Perry, who has served on the board for a period of greater than nine years, would not meet the Prudential Authority's definition of independence, sought permission from the Prudential Authority for Perry to remain as the chairman of the board. This is because the board believes that Perry continues to demonstrate objective judgement and promotes constructive challenge amongst the members of the board in addition to supporting the succession plan for the board and the leadership team, following the recent management transition from a founder led organisation to an era of professional management. The Prudential Authority, recognising the justification provided by the board, and acknowledging the additional layer of independence provided by the senior independent director (SID), Zarina Bassa, provided approval for Perry to continue to serve as chairman of the board and the DLC Nomdac until 31 August 2022 As identified, the board believes that the continued appointment of the chairman, Perry, who was appointed to the board in June 2010, will support the succession plan for the board and the leadership team. The board will continue to review his appointment, with an assessment of the chairman's independence to be conducted on an annual basis.

The deliberation on the independence of the non-executive directors by the board, and DLC Nomdac, included the consideration of the following relationships and associations in regard to these specific directors:

- Ian Kantor is the brother of Bernard Kantor, a former executive director of the group. Ian is also a co-founder and former CEO of the group. Accordingly, the board concluded that Ian could not be considered independent. Ian will not stand for re-election at the 2020 AGM

- Charles Jacobs is the chairman of Linklaters LLP (Linklaters). Linklaters is currently one of Investec's UK legal advisors. The board concluded that, notwithstanding this link, Charles retains independence of judgement. Charles does not form part of the Linklaters team that provides advice to Investec and he has not provided advice to Investec for over a decade. In addition, the selection of legal advisors is not a board matter and is decided at a management level. If any decision were to be made at the board level regarding Linklaters, which has not happened to date, Charles would recuse himself in accordance with the provisions of the relevant Companies Act relating to directors' interests.

Tenure

As identified, the DLC Nomdac considers the guidance set out in the King IV Code and directive 4/2018, as issued by the South African Prudential Authority, when considering the independence of the non-executive directors and follows a thorough process of assessing independence on an annual basis for each director.

The DLC Nomdac considers tenure when examining independence, and when discussing the composition of the board as a whole. The board and the DLC Nomdac are mindful that there needs to be a balance resulting from the benefits brought by new independent directors, *versus* retaining individuals with the appropriate skills, knowledge and experience, and an understanding of Investec's unique culture.

The board does not believe that the tenure of any of the independent non-executive directors standing for election or re-election at the annual general meeting in August 2020 interferes with their independence of judgement or their ability to act in the group's best interest.

Diversity

In considering the composition of the board, the board is mindful of all aspects of diversity, including gender, race, ethnicity, religion, age, disability, nationality, political opinion, sensitive medical conditions or sexual preference.

Investec embraces differences as a strength within the group. Having a diverse board is a clear benefit, bringing with it distinct and alternative viewpoints, and mindsets able to challenge the status quo. The board is committed to ensuring that the group meets its governance, social and regulatory obligations regarding diversity. We have a board diversity policy, setting out the targets for board composition in terms of gender and race.

The board set a target of 33% female representation on the board by the end of 2020 calendar year. As at the date of this report, there was a 23% representation of women on the board. The board remains committed to the target of 33% woman representation on the board. Female representation declined in the year, following Kim McFarland stepping down and onto the board of Ninety One (as a result of the demerger of Investec Asset Management). Hendrik du Toit also stepped down from the board following the demerger of the Asset Management business. Ciaran Whelan was appointed to the board on 1 April 2020, who brings with them over 30 years of experience at Investec. The group has been through significant change over recent years, with the succession of its founder members in October 2018 and the demerger and separate listing of Ninety One in March 2020. As such the DLC Nomdac, to which the board has delegated responsibility for the consideration of the succession plan of the board and the appointment process for the board, believes the new appointments ensure a strong level of continuity and significant internal experience on the board. The DLC Nomdac continues to ensure that appointments and the board's succession plan is based on merit and with regard to objective criteria and, is within this context, promote diversity in its broadest sense, including diversity of gender, social and ethnic background, and diversity of thought.

The board also intends to ensure that a minimum of 25% of the board members of Investec Limited who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black women as defined in South African legislation, and that 50% of the board members of Investec Limited who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black people as defined in the Financial Sector Code or similar legislation that may be in force in South Africa from time to time.

Skills, knowledge and experience

The board considers that the skills, knowledge and experience of the directors as a whole are appropriate for their responsibilities, and the objectives of the group.

The members of the board have a broad range of skills and experience, including in the areas of banking, risk and capital management, commercial, financial, auditing, accounting, legal and technology.

Induction, training and development

On appointment to the board, all directors receive a comprehensive induction which is tailored to the new director's individual requirements. The induction schedule is designed to provide the new director with an understanding of how the group works and the key issues that it faces. The company secretaries consult the chairman when designing an induction schedule, giving consideration to the particular needs of the new director. When a director is joining a board committee, the schedule includes an induction to the operations of that committee.

On completion of the induction programme, the director is equipped with sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing the group, including the key risks, to enable them to effectively contribute to strategic discussions and oversight of the group.

The chairman leads the training and development of directors and the board generally.

A comprehensive development programme is in place throughout the year and comprises both formal and informal training and information sessions.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of the group's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member.

On the recommendation of the DLC Nomdac, non-executive directors will be appointed for an expected term of nine years (three terms of three years each) from the date of their first appointment to the board.

All executive directors are engaged on standalone employment contracts, subject to six-month notice periods.

All of the directors retire on an annual basis and those willing to serve again submit themselves for election or re-election at the annual general meeting.

Independent advice

Through the chairman, the SID or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the group. No such advice was sought during the 2020 financial year.

Conflicts of interest

Directors have a responsibility to avoid situations that put, or may be perceived to put, their personal interest in conflict with their duties to the group. The conflicts of interest policy and the board charter require directors to declare any actual or potential conflict of interest immediately when they become aware of such situations. Each director must submit a "declaration of interest" form outlining other directorships and personal financial interests, including those of related parties. Where actual or potential conflicts are declared, the recusal procedure is implemented, and affected directors are excluded from those specific discussions and any decisions on the subject matter of the declared conflict.

Actual and potential conflicts of interest are considered in the annual assessment of director independence.

Related parties

The group has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. The DLC Nomdac updated the policy and reviewed key related party transactions during the year ensuring that the appropriate policies had been complied with.

Conduct and Ethics

The board is committed to the highest standards of integrity and ethical behaviour. The board appreciates the importance of ethics and its contribution to value creation and is dedicated to instilling ethical values throughout the group. The board recognises that ethics begin with each individual director's conduct, which if appropriate, will in turn have a positive impact on conduct in the group. Management is responsible for embedding ethical conduct in the organisation which is overseen by the DLC SEC.

Company secretary

Niki van Wyk is the company secretary of Investec Limited. The company secretary is professionally qualified and have gained experience over many years. Her services are evaluated by board members during the annual board evaluation process. She is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretary whose appointment and removal are a board matter.

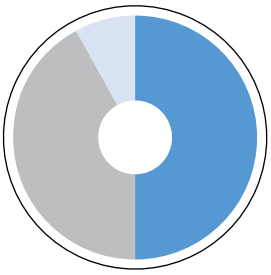
In compliance with the King IV Code, the South African Companies Act and the JSE Listings Requirements, the board has considered and is satisfied that the company secretary is competent and has the relevant qualifications and experience.

Diversity as at 31 March 2020

Age:

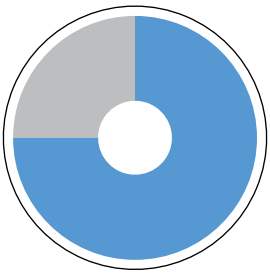
40 – 50	**33%**
51 – 60	**25%**
61 and above	**42%**

Board geographical mix



50%	South Africa
42%	UK
8%	Other

Board gender balance



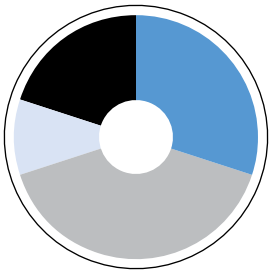
75%	Male
25%	Female

Tenure as at 31 March 2020

Average length of service for non-executive directors (years):

5

Average tenure for the non-executive directors



30%	0 – 3 years
40%	3 – 6 years
10%	6 – 9 years
20%	9 years plus

What we did

Board report

Role and responsibilities

The board seeks to exercise leadership, integrity and judgement in pursuit of the group's strategic goals and objectives to achieve long term sustainability and growth. The board is accountable for the performance and affairs of the group. It provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

In fulfilling this objective, the board is responsible for:

- Approving the group's strategy
- Acting as a focal point for, and as custodian of, corporate governance
- Providing effective leadership with an ethical foundation
- Ensuring the group is a responsible corporate citizen
- Being responsible for the governance of risk, including risks associated with information technology
- Ensuring the group complies with applicable laws and considers adherence to non-binding rules and standards
- Monitoring performance
- Ensuring succession planning is in place.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain duties to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities. The board has developed a board charter, which serves as the foundation for Investec's governance principles and practices. The charter:

- Outlines the board committees' mandates and specifies which matters are reserved for the board
- Defines separate roles for the group chairman and CEO
- Dictates the board's expectations of the directors, chairmen of the respective board committees and the senior independent director
- Sets out how the corporate governance provisions in the King IV Code, the South African Companies Act, the South African Banks Act and the JSE Listings Requirements will be put in place.

Composition and meetings

The board meets at least six times annually, excluding the annual two-day board strategy session. For the period 1 April 2019 to 31 March 2020, three board meetings were held in the UK and three in South Africa, in line with the requirements of Investec's DLC structure. Unscheduled meetings are called as the need arises. Further to the additional unscheduled meetings held, the board received regular updates in respect of the demerger of the Asset Management business, and the impact of COVID-19. Comprehensive information packs, on matters to be considered by the board, are provided to directors in advance of the meetings.

The board recognises that a balanced board is vital for sustainable value creation. The board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationality, experience, tenure and independence.

Attendance is an important factor in the board's ability to discharge its duties and responsibilities and care is taken in preparing the board calendar to enable meeting attendance. If a director is unable to attend a meeting, an apology is recorded, and if possible, the director makes a written or oral contribution ahead of the meeting.

Board composition as at 31 March 2020

		Board member since		Investec plc (10 meetings in the year)		Investec Limited (10 meetings in the year)	
Members	**Independent**	Investec plc	Investec Limited	Eligible to attend	Attended	Eligible to attend	Attended
PKO Crosthwaite (chairman)	On appointment	18-Jun-10	18-Jun-10	10	10	10	10
F Titi (CEO)	Executive	30-Jan-04	30-Jan-04	10	10	10	10
HC Baldock*	Yes	9-Aug-19	9-Aug-19	7	7	7	7
ZBM Bassa	Yes	1-Nov-14	1-Nov-14	10	10	10	10
D Friedland	Yes	1-Mar-13	1-Mar-13	10	10	10	10
PA Hourquebie	Yes	14-Aug-17	14-Aug-17	10	10	10	10
CR Jacobs	Yes	8-Aug-14	8-Aug-14	10	9	10	9
IR Kantor	No	26-Jun-02	30-Jul-80	10	9	10	9
Lord Malloch- Brown KCMG	Yes	8-Aug-14	8-Aug-14	10	10	10	10
NA Samujh**	Executive	1-Apr-19	1-Apr-19	10	10	10	10
PG Sibiya*	Yes	9-Aug-19	9-Aug-19	7	7	7	7
KL Shuenyane	Yes	8-Aug-14	8-Aug-14	10	10	10	10
Former directors							
LC Bowden***	Yes	1-Jan-15	1-Jan-15	3	3	3	3
CA Carolus***	Yes	18-Mar-05	18-Mar-05	3	3	3	3
B Kantor***	Executive	19-Mar-02	8-Jun-87	3	2	3	2
S Koseff***	Executive	26-Jun-02	6-Oct-86	3	3	3	3
KM McFarland****	Executive	1-Oct-18	1-Oct-18	9	9	9	9
HJ du Toit*****	Executive	15-Dec-10	15-Dec-10	9	9	9	9

* *HC Baldock and PG Sibiya were appointed to the board on 9 August 2019.*

** *NA Samujh was appointed as group finance director on 1 April 2019.*

*** *LC Bowden, CA Carolus, B Kantor and S Koseff stepped down from the board on 8 August 2019.*

**** *KM McFarland stepped down from the board on 16 March 2020.*

***** *HJ du Toit stepped down as joint group CEO on 16 March 2020.*

^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the board.*

Key matters deliberated by our board

In addition to the standard and regular agenda items, such as report-backs from each board committee and comprehensive reports from the CEO, the following specific matters of importance were tabled and deliberated at board meetings and directors' development sessions during the year ended 31 March 2020:

BOARD AND COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Group strategy	• considered and approved the strategy to demerge the Asset Management business, Ninety One plc, from the group • formulated and monitored the implementation of strategy, including progress made with regard to agreed strategic initiatives • considered climate related issues when reviewing and guiding strategy • provided constructive challenge to management • considered global trends shaping the financial industry • considered the impact of economic and political developments in South Africa • oversaw the changes in management as announced in the preceding and current financial year • deliberated on the impact of the COVID-19 pandemic
Risk and capital, audit, corporate governance and compliance	• received and reviewed compliance reports in order to confirm that the group meets all internal and regulatory requirements • discussed and approved the risk appetite framework • regularly assessed the group's overall risk profile and emerging risk themes, receiving reports directly from management and the chairman of the IBL BRCC • received and reviewed reports on the group's operational and technological capability, including specific updates on cyber risk capability and the strategy for technology and infrastructure services • received reports in respect of specific risks monitored within the group including updates in respect of General Data Protection Regulation (GDPR), the Advanced Internal Ratings Based (AIRB) approach, the Foundation Internal Ratings Based (FIRB) approach and International Financial Reporting Standards (IFRS) 9, 15 and 16 • deliberated on the risks associated with the COVID-19 pandemic • assessed the potential opportunities arising from COVID-19 • received an update from the company sponsor on changes to the JSE Listings Requirements • considered the impact of the King IV Code and the JSE Listings Requirements and changes thereto • adopted the group Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) Policy • considered and approved the conflicts of interest policy • reviewed the IBL revised corporate governance structure • considered auditor independence, monitoring of audit quality and related parties' activities, appointment of auditors and mandatory rotation of auditors • considered matters pertaining to service providers implicated in state capture in South Africa • reviewed the group's exposure to state-owned entities and related risk appetite • received reports on conduct • oversaw the integrity of annual financial statement • reviewed and discussed assumptions underlying the recoverability of key exposures and investments including the impacts of IFRS 9 scenarios, probabilities and weightings

Areas of focus	*What we did*
Leadership	• considered regular updates by the various committees including the DLC Remuneration Committee, DLC Nomdac, INL Audit Committee, DLC SEC and IBL BRCC • received and considered comprehensive reports from the executive directors (including strategy execution and performance of the group within the operating environment and competitor landscape) • ensured that policies and behaviours/tone set at board level were effectively communicated and implemented across the group
Effectiveness	• considered the process for the 2019 board effectiveness review • discussed the recommendations of the board effectiveness review • implemented the recommendations of the board effectiveness review • finalised topics for directors' development sessions
Remuneration	• received a report from the DLC Remuneration Committee chairman at each meeting including regulatory developments pertaining to remuneration • oversaw the implementation of the remuneration policy • received updates from the DLC Remuneration Committee, in respect of the evolving response to executive and non-executive remuneration, in light of COVID-19 • oversaw the implementation of the remuneration policy • further to the transition of leadership, considered remuneration arrangements for both the incoming and outgoing executive directors
Relations with stakeholders	• in order to ensure satisfactory dialogue with stakeholders, and to foster strong and open relationships with regulators, the board noted and discussed the key areas of feedback from these stakeholders, including feedback relating to: – board refreshment and succession – succession planning for the executive directors and senior management – remuneration of executive directors and non-executive directors – regular meetings and open dialogue with regulators – engagement with the Registrar of Banks, the South African Prudential Authority – the group's contribution to the political economy – reports on allegations of widespread public and private sector corruption in South Africa, and its impact on the group's clients and service providers – improving returns across the business – the extensive processes to monitor the external auditors and audit quality, and plans in respect of Mandatory Auditor Firm Rotation
Corporate citizenship	• discussed and monitored the various elements of good corporate citizenship including: – climate related risk and opportunities – environmental, social and governance (ESG) issues within our operations and within our business – promoted equality, the prevention of unfair discrimination and the reduction of corruption – sponsorships, charitable donations and charitable giving – environmental, health and public safety, including the impact of the group's activities and of its products and services – consumer relationships including the group's advertising, public relations and compliance with consumer protection laws – labour and employment including the group's standing in terms of the international labour organisation protocol on decent work and working conditions, employment relationships and its contribution towards the educational development of its employees – the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced – the promotion of the role Investec plays in society, including contributions by directors and staff to the Solidarity Fund in South Africa, in response to the COVID-19 pandemic – the board's oversight of the group's culture – material concerns, if any, raised by employees or former employees

Areas of focus	*What we did*
Board committee composition and succession planning	• considered and confirmed the independence of the non-executive directors having regard to factors that might impact their independence • discussed succession planning including an update on senior management succession • received reports on the composition of the boards of key subsidiaries including Investec Bank Limited • considered reports on suggested changes to the group's governance arrangements • considered reports on suggested changes to IBL's governance arrangements • received reports from the DLC Nomdac at each meeting covering the matters within its delegated authority for review and consideration
Financial results, liquidity, solvency and viability statement	• considered, reviewed and approved the financial results for the year ended 31 March 2020 for Investec plc and Investec Limited • considered, reviewed and approved the financial results for the half year ended 30 September 2019 for Investec Limited • assessed, confirmed and satisfied itself of the group's viability (i.e. its ability to continue in operation and meet its liabilities considering the current position of the group, the board's assessment of the group's prospects and the principal risks it faces) • approved the group's viability statement • assessed, confirmed and satisfied itself, on the recommendation of the INL Audit Committee, that it was appropriate for the financial statements to be prepared on a going concern basis • considered, reviewed and approved, on the recommendation of the INL Audit Committee, that the annual report and the financial statements for the financial year ended 31 March 2020 were fair, balanced and understandable • confirmed that the group was liquid and that the solvency and liquidity test has been satisfied (i.e. a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances at that time: the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued; and it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of: – 12 months after date on which the test is considered; or – in the case of a dividend, 12 months following the distribution) • confirmed that adequate resources existed to support the group on a going concern basis • and accordingly adopted the going concern basis • considered the impact of COVID-19 • considered and approved capital plans
Management succession	• considered matters relating to board succession and approved appointments to the board and board committees • maintained oversight of the continued orderly transition from the founding members to the new management in accordance with the approved succession plan
Terms of reference and policies	• reviewed and received regular updates in respect of the various committees' terms and references and policies within the group

DLC Nominations and Directors' Affairs Committee report

I am pleased to present you with the report for the DLC Nomdac (the committee) for the financial year ended 31 March 2020.

As set out in my introduction to the Corporate Governance report on pages 114 to 115, there have been a number of changes to the board during the year, all of which have been overseen by the committee.

The committee undertook a thorough recruitment process to identify and assess candidates, which resulted in the appointment of two new non-executive directors: Henrietta Baldock and Philisiwe Sibiya, who were appointed to the board on 9 August 2019. While selected on the basis of their strong financial services experience and skills, these two appointments help meet our continuing commitment to a diverse board.

The committee oversaw the planned transitions within our leadership team, with the appointment of Nishlan Samujh as group finance director, the departures of Hendrik du Toit and Kim McFarland, following the demerger of the Asset Management business, the appointments of David van der Walt and Ciaran Whelan as executive directors, the proposed appointment of Richard Wainwright (subject to regulatory approval) and the retirement of David from the group.

As can be seen from these changes, the committee continued to focus on succession planning for the board and senior management, including that of the group's key subsidiaries, building on the work undertaken in previous years.

The committee oversaw the internal board effectiveness review, which took the form of a self-assessment questionnaire, followed by one to one meetings. We also considered, and recommended to the board, actions arising from the previous externally facilitated review undertaken by Professor Robert Goffee.

Please refer to the report on the following pages for details of all the material matters considered by the committee in the last year.

Committee performance

The effectiveness of the committee was assessed as part of the annual effectiveness review of the board. The findings of this review, which were considered by the committee, found that the committee had met its key objectives and carried out its responsibilities effectively.

Looking ahead

In 2020 / 2021, the committee will continue to review the composition of the board and the board committees, with a view to ensuring the progressive refreshment of the members of the board. In considering the composition of the board, the committee is mindful of all aspects of diversity, including gender, race, skills, experience and knowledge.

PKO Crosthwaite.

Perry Crosthwaite
Chairman of the DLC Nomdac

16 June 2020

We aim to ensure that the board comprises a talented and diverse range of people, aligned with our culture and values, with the collective skills and experience necessary for the group to meet its objectives and strategic goals

DLC Nomdac

Perry Crosthwaite
Chairman of the DLC Nomdac

Key achievements in FY 2020

- Oversaw the recruitment and appointments of Henrietta Baldock and Philisiwe Sibiya as non-executive directors
- Considered the succession plans for the board and senior management
- Considered the annual effectiveness review, and the actions arising from the previous externally facilitated review.

Areas of focus in FY 2021

- Review the composition of the board and the principal board committees
- Review the knowledge, skills and experience, and diversity of the board
- Consider the succession plans for the board and senior management

Role and responsibilities

The committee is an essential part of the group's governance framework to which the board has delegated the following key functions:

- supporting and advising the board in ensuring that it is composed of individuals who are best able to discharge the duties and responsibilities of directors
- evaluating the balance of skills, experience, independence, knowledge and diversity on the board
- ensuring that appointments and succession plans are based on merit and with regard to objective criteria and, within this context, promoting diversity in its broadest sense, including diversity of thought, gender, social and ethnic background, and personal strengths
- maintaining the board directorship continuity programme, including the consideration of the annual board performance evaluation process

Composition and meetings

The committee comprises a majority of independent non-executive directors of the board, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the committee.

The board has agreed, in principle, that the chairman of the group's key governance committees (Audit, Board Risk and Capital, Remuneration and Social and Ethics) be appointed to the DLC Nomdac, to ensure that their input is considered, when the committee discusses the composition of the group's key governance committees, and the proposed appointments to these committees.

As IBL does not have an independent Nominations and Directors' Affairs Committee, it was agreed that Khumo Shuenyane, the chairman of IBL, and Peter Thomas, a non-executive director of the IBL board, be appointed members of the DLC Nomdac. Peter Thomas will not stand for re-election as a non-executive director of IBL at the 2020 AGM of IBL, and as a result, will step down as a member of the committee with effect from 6 August 2020.

During the financial year ended 31 March 2020, the DLC Nomdac met six times. Attendance by members at committee meetings is shown below.

		DLC Nomdac (6 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
PKO Crosthwaite (chairman)	16-Sep-14	6	6
ZBM Bassa	1-Apr-17	6	6
D Friedland	16-Sep-14	6	6
PA Hourquebie	15-May-18	6	6
Lord Malloch-Brown	15-May-18	6	6
KL Shuenyane	15-May-18	6	6
PRS Thomas*	9-Sep-10	6	6

* *PRS Thomas is the representative of IBL.*

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

How the DLC Nomdac works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Board and board committee composition	• discussed the key skills and experience needed on the board in the context of future strategic direction and structural reform, including any areas requiring strengthening • concluded that the skills, knowledge and experience of the directors were appropriate for their responsibilities and activities • engaged our independent external search firms Russell Reynolds and Woodburn Mann, neither of which has any connection to the group or any of the directors other than to assist with searches for executive and non-executive talent, to assist in the search for independent non-executive directors with the relevant skills and experience • agreed on the following matters: – Laurel Bowden stepping down from the board at the 2019 AGM – Cheryl Carolus stepping down from the board at the 2019 AGM – Stephen Koseff stepping down from the board at the 2019 AGM – Bernard Kantor stepping down from the board at the 2019 AGM – the appointment of Nishlan Samujh as group finance director – the appointment of Henrietta Baldock as a non-executive director – the appointment of Philisiwe Sibiya as a non-executive director – Kim McFarland stepping down from the board, following the demerger of the Asset Management business – Hendrik du Toit stepping down from the board, following the demerger of the Asset Management business – the appointment of David van der Walt as an executive director – the appointment of Ciaran Whelan as an executive director – the proposed appointment of Richard Wainwright as an executive director (subject to regulatory approval) – David van der Walt stepping down from the board, and retiring from the group – Ian Kantor stepping down from the board at the 2020 AGM • considered the board suitability policy • considered the appointment of potential new directors to the board
Succession planning	• considered the succession plans for the board and senior management • conducted formal succession appraisals for all key positions • reviewed the succession pipeline for executive management, with a view to ensuring that the group was continuing and will continue to increase the internal pool of talented and skilled individuals by providing opportunities for individuals to develop and grow within the organisation
Subsidiary board and board committee composition	• received reports on the board composition of the group's key subsidiaries including: – Investec Bank plc – Investec Bank Limited – Investec Wealth & Investment Limited – Investec Securities Proprietary Limited – Investec Life Limited • reviewed the composition of the boards and board committees of each of the group's key subsidiaries, including consideration of any vacancies, new appointments or changes that would enhance the effectiveness of the respective boards, with regard to group oversight, governance, local regulatory or legal requirements, and best practice, with a view to ensuring that there was an appropriate level of independent scrutiny at subsidiary level. The following matters were accordingly agreed: – appointment of Ruth Leas as CEO of IBP – appointment of Kevin McKenna as chief risk officer (CRO) of IBP – appointment of Alistair Stuart as chief operating officer (COO) of IBP – appointment of Chris Meyer as an executive director of IBP – appointment of Ryan Tholet as an executive director of IBP – appointment of Morris Mthombeni as a non-executive director of IBL – appointment of Geoffrey Qhena as a non-executive director of IBL

Areas of focus	*What we did*
Independence	• considered the independence of the non-executive directors, with regard to: – directors who had served on the boards for a period longer than nine years – other factors that might impact their independence – the director's contribution at board meetings and whether they in fact demonstrated independent challenge • specifically considered and confirmed that Ian Kantor can not be considered independent as co-founder, former CEO of the group, and brother of former executive director Bernard Kantor. Ian will not stand for re-election at the 2020 AGM • specifically considered the independence of Charles Jacobs, who is the chairman of Linklaters LLP, a legal advisor to Investec UK, and concluded that it was satisfied that he retained independence of judgement and should be regarded as an independent non-executive director
Diversity and inclusion	• considered the diversity of the board and senior management, including the individuals noted as potential successors • discussed the potential impact on the diversity of the board when considering potential candidates for appointment to the board • reviewed the board diversity policy
Related parties	• investigated potential conflicts in respect of specific directors' transactions • considered and approved the director's disclosure conflicts of interest policy • reviewed the register of directors' interests
Directors' development	• considered dates and topics for future directors' development training and identified the key topics affecting the business

Board effectiveness review

The board regularly reviews its own effectiveness and therefore undertakes a formal evaluation of its performance and that of its committees and individual directors annually. In accordance with recognised codes of corporate governance, the evaluation of the board is externally facilitated at least every three years. As the 2018 board effectiveness review was externally facilitated by Professor Robert Goffee, the DLC Nomdac and the board agreed that the board effectiveness review for 2019 would be internally facilitated, and take the form of a self-assessment questionnaire, followed by one on one meetings with the Chairman.

The directors each completed the questionnaire, prior to meeting individually with the Chairman. The questionnaire covered a range of topics, including board effectiveness, the balance of skills and experience, board and board committee composition, governance, information availability and culture. The interviews that followed, were broad-ranging, and designed to provide additional context to the questionnaire responses.

The findings were collated and presented to the committee at the January 2020 meeting, prior to presentation to the board at the February 2020 meeting. Overall the board members were found to be satisfied with various aspects of board governance and functioning. The board effectiveness review identified that there had been an improvement to the overall effectiveness of the board, in particular, within the context of the significant changes to the executive leadership team and the governance framework.

The review identified the particular strengths of the board to be the composition of the board, including the balance of non-executive to executive directors and the differentiation of the chairman and chief executive roles, and the role of the non-executive directors.

Notwithstanding the strengths, the committee discussed the areas for potential improvement. These included an increased focus on culture, strategy and succession planning at the board, and further consideration of the knowledge, skills, experience and diversity of the board.

The committee will continue to monitor the actions resulting from the board effectiveness review as the year progresses.

DLC Social and Ethics Committee report

I am pleased to present the report of the DLC Social and Ethics Committee (DLC SEC or the committee) for the financial year ended 31 March 2020. We consider the views of a wide range of stakeholders on a variety of environmental, social and governance (ESG) matters. It is this committee's responsibility, along with the board, to ensure the group is operating in an ethical, compassionate and sustainable manner.

Over the past year, there was a continued strong focus by the committee on staff developments and, in particular, on equity and inclusion. The group made good progress in terms of our transformation initiatives and employment equity targets and diversity remains a priority across all regions. Towards the end of the period, we were proud of how the group's leaders took swift action to respond to the COVID-19 pandemic and the care that was shown for employees and communities around the world.

Another key topic of focus in the past year was the environment and climate change. We were pleased to see the group achieve carbon neutral status and the committee was able to approve a public group fossil fuel policy, addressing a key stakeholder concern. The group continued to demonstrate commitment to the United Nations (UN) Sustainable Development Goals (SDGs), reinforced by Fani Titi's personal commitment to the UN Global Investors for Sustainable Development (GISD).

The following pages detail the material matters considered by the committee in the last year. For further information concerning the group's approach to group sustainability, please refer to www.investec.com.

Committee performance

The performance of the committee was assessed as part of the annual effectiveness review of the board. The results show that the committee has continued to function well.

Looking ahead

The committee will continue to monitor the key sustainability aspects of the group in accordance with best practice. We expect to see progress in a number of areas including the integration of sustainability into business strategy, climate-related and general ESG disclosures including the Task Force on Climate related Financial Disclosures (TCFD), and reporting on our priorities in terms of the UN SDGs. In addition, emphasis will be placed on business resilience and those activities that contribute to a more sustainable, low-carbon world.

Lord Malloch-Brown
Chairman of the DLC SEC

16 June 2020

It is our duty and care to ensure that the group is behaving responsibly from a commercial, social and environmental perspective so we remain a sustainable and ethical organisation

DLC SEC

Lord Malloch-Brown
Chairman of the DLC SEC

Key achievements in FY 2020

The chairman of the committee, Lord Malloch-Brown, presented on the South African Prudential Authority's Flavour of the Year Topic, namely the Creation and Institutionalisation of a culture of Ethics and Awareness

- Fani Titi, group CEO, joined the Secretary General of the UN CEO Alliance on GISD
- Reconstituted the committee with new members bringing relevant ESG experience
- Supported members of the group executive team assuming executive responsibility for driving sustainability across the organisation
- Strengthened the committee terms of reference to include greater focus on environment and climate-related issues

Areas of focus in FY 2021

Review and monitor progress:

- to integrate sustainability into group strategy and business
- in respect of climate and general ESG-related policies and disclosures
- on our priorities in terms of the UN SDGs, which are to enable access to clean water and affordable energy, to provide access to quality education, to support economic growth and job creation, to build and support infrastructure solutions and to fund sustainable cities and stronger communities
- with sustainability products and services offered
- with gender and diversity targets and performance
- in terms of business resilience and COVID-19 impacts on our people, clients and communities

Role and responsibilities

The DLC SEC is an essential part of the group's governance framework to which the board has delegated the following key functions:

- overseeing the group's climate policies, processes and response to climate related matters
- ensuring that the group promotes social and economic development, including the application of the UN Global Compact Principles and the recommendations of the Organisation of Economic Co-operation and Development (OECD) regarding corruption
- monitoring the group's behaviour as a corporate citizen, including the consideration of the group's promotion of equality, prevention of discrimination and reduction of corruption
- monitoring the group's application of the South African Employment Equity Act and the South African Broad-Based Black Economic Empowerment Act and the Financial Sector Code, and adherence to the South African Companies Act through the committee's terms of reference
- overseeing ethical business practices
- improving our ESG policies and practices.

Composition and meetings

The committee comprises of independent non-executive directors and executive directors, with membership designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the committee. The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act, and its associated regulations.

During the financial year ended 31 March 2020, the DLC SEC met three times and attendance by members at committee meetings is shown below.

		DLC SEC (3 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
Lord Malloch-Brown KCMG (chairman)	08-Aug-14	3	3
CA Carolus*	17-May-12	1	1
HJ du Toit**	12-Mar-19	3	3
B Kantor*	17-May-12	1	0
S Koseff*	17-May-12	1	1
KL Shuenyane***	09-Aug-19	2	2
PRS Thomas****	17-May-12	3	3
F Titi	12-Mar-19	3	3

* *CA Carolus, B Kantor and S Koseff stepped down from the committee with effect from 8 August 2019.*

** *HJ du Toit stepped down from the committee with effect from 16 March 2020.*

*** *KL Shuenyane was appointed to the committee with effect from 9 August 2019.*

**** *PRS Thomas is a representative of IBL.*

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

Other invited attendees

- Head of group sustainability
- Head of organisational development
- Head of human resources
- Head of investor relations
- Head of Asset Management#
- Head of Specialist Bank SA
- Head of Specialist Bank UK
- Head of Wealth & Investment SA
- Head of Wealth & Investment UK

Attended until the January 2020 meeting.

How the DLC SEC works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described below.

COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Social and economic development, including human rights	• monitored the group's standing in terms of the goals and purposes of the UN Global Compact Principles, with respect to human rights, labour, the environment and anti-corruption • gained comfort that the group and its subsidiaries adhere to the relevant laws in the jurisdictions in which they operate and strive to advance the UN Global Compact Principles within its sphere of influence • reviewed the communication of progress to the UN on the group's adherence to the UN Global Compact Principles • monitored the group's adherence to the recommendations of the Organisation of Economic Co-operation and Development (OECD) regarding corruption • reviewed the group's progress in relation to the Youth Employment Services (YES) initiative, noting that as part of our commitment to job creation and transformation in South Africa, over 1400 youths were placed with 11 partners as part of our commitment to the YES programme
Climate risks and opportunities	• considered the impact of climate change and the importance for various stakeholders • monitored the group's adherence to the relevant climate-related disclosures (including the TCFDs) • supported the climate neutral status that the group achieved in 2020 • approved a public group fossil fuel policy
Sustainable Development Goals (SDGs)	• challenged the core priorities with regards to the UN SDGs, assessed their relevance and monitored the performance in terms of the goals for the group • supported Fani Titi's invitation to join the Secretary General of the UN CEO Alliance on the Global Investors for Sustainable Development (GISD)
Good corporate citizenship	• discussed the key elements of good corporate citizenship • reviewed the group's record of sponsorship, community donations, political donations and charitable giving • satisfied itself that the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced • participated in a number of sustainability indices and were recognised as one of the industry members on the Dow Jones Sustainability Investment (DJSI) World Indices and the DJSI Europe Indices • noted that Investec Limited had been recognised as one of four industry members in the DJSI Emerging Markets Indices
The South African Employment Equity Act	• monitored compliance with the relevant legislation • monitored progress made towards the group's employment equity plans • engaged with the management of human resources to address challenges around matters such as diversity and employment equity targets • engaged with members of the employment equity forum • monitored and reviewed diversity across the group and considered any regulatory developments in this regard • satisfied itself that the group did take the appropriate measures in order to comply with the relevant legislation

Areas of focus	*What we did*
The South African Broad-Based Black Economic Empowerment Act	• monitored compliance with the relevant legislation • considered the group's empowerment rating • gained comfort that the group had taken the appropriate measures in order to comply with the legislation
Contribution to the development of communities	• monitored the group's activities in contributing to the development of communities • received regular reports on the group's community investment initiatives • satisfied itself that the group contributed to the development of communities
Talent retention and attraction of employees	• received regular reports and updates from the careers team on our talent management strategy including internal mobility • monitored the performance of a number of our graduate, internship and exposure programmes and continued to support the investment in developing and upskilling our employees
Culture and ethics	• received regular reports on the group's activities in respect of programmes offered to enhance its core values which include unselfishly contributing to society, valuing diversity and respecting others • satisfied itself that the group's core values had a positive impact on the success and wellbeing of local communities, the environment and on overall macro-economic stability, as well as the long term success of the company
Other	• supported the appointment of members of the group executive team, with responsibility for integrating sustainability into business strategy • monitored the work done to assess our ESG exposures • reviewed the products and services offered with a sustainability impact (for example, clean energy private equity fund and the Investec Environmental World Index Auto Call) • supported the swift business resilience response to COVID-19 and its impacts on our people, clients and communities

INL Audit Committee report

I am pleased to present the report of the INL Audit Committee (the committee) which incorporates the activities and functions of the Investec Limited and Investec plc Audit Committees for the financial year ended 31 March 2020.

The report will address the role and the key areas of focus of the INL Audit Committee. In addition to outlining the structure of the group's Audit committees, some insights are included on how decisions are made and where judgement was applied to conclude on significant matters during the financial period.

INL Audit Committee and the DLC BRCC

The INL Audit Committee and the DLC BRCC, which is the Board Risk and Capital Committee for INL and IW&I, are chaired by different independent non-executive directors. David Friedland chairs the DLC BRCC. The INL Audit Committee and the DLC BRCC continue to capture all significant issues effectively while minimising any overlap. These committees have met all legal and regulatory requirements from a composition and independence perspective. Given the synergies and nature of matters considered by the committees, their membership is such that an element of commonality persists. The INL Audit Committee chair and members are also members of the DLC BRCC.

The INL Audit Committee and the DLC BRCC work closely together in fulfilling their objectives.

Committee performance

The performance of the INL Audit Committee was assessed as part of an internal board effectiveness evaluation process and it was concluded that the committee continues to function effectively.

Looking ahead

In advancing the INL Audit Committee efforts of the prior year, focus will continue to be centred on the impact, oversight, governance and disclosure in relation to IFRS 9.

In addition, there will be continued consideration of the independence of the internal auditor, the external auditor and audit quality measures.

The INL Audit Committee will furthermore continue to focus on the combined assessment of the impact of COVID-19 on the economy and the consequent impact on financial systems and reporting, including volatility, results of operations and financial position.

Transparent disclosure is the cornerstone for the long term success and sustainability of our business

INL Audit Committee

Zarina Bassa

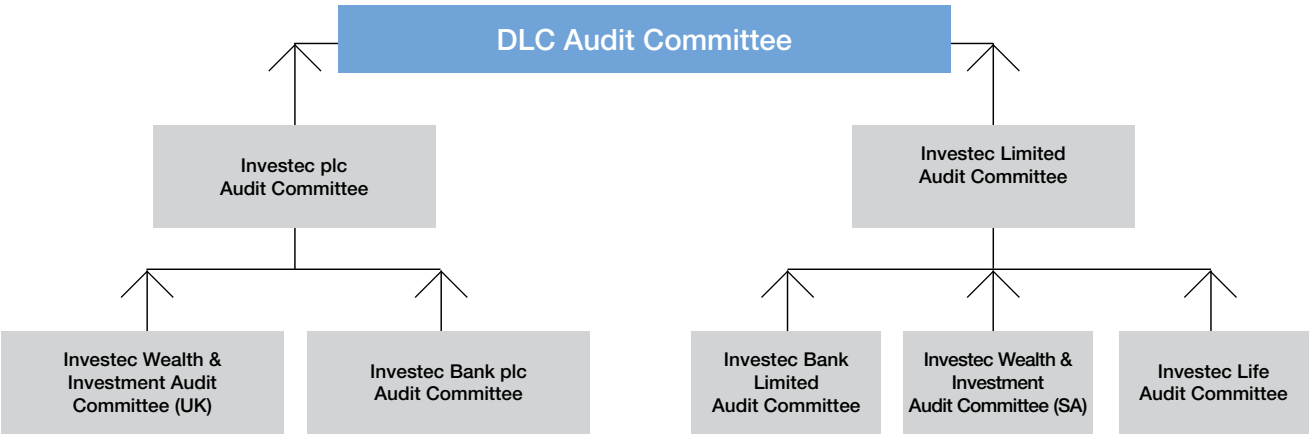
Chair of the INL Audit Committee

Key areas addressed in FY 2020

- Considered the accounting and operational impact of COVID-19 and mitigating steps taken, including going concern, liquidity and viability
- Oversaw the impact, governance and disclosure as it relates to IFRS 9. A specific focus was placed on the impact COVID-19 had on the application of IFRS 9
- Oversaw the regulatory compliance and the resulting accounting of the demerger of Asset Management
- Monitored audit quality and audit partner accreditation looking at results of firm and engagement partner regulator reviews and/or internal quality control
- Considered the external auditor's independence
- Monitored close out of internal and external audit findings
- Held joint INL Audit Committee and DLC BRCC meetings to cover changes to the IFRS 9 macro economic scenarios and probabilities for 2020 and the impact of COVID-19
- Reviewed succession for key internal audit members
- Oversight over regulatory compliance and the compliance programme
- Conducted an External Quality Assurance Review (EQAR) of internal audit
- Revised the policy on non-audit services
- Considered key risk and reporting exposures faced by the group
- Concluded on the proposed approach to Mandatory Audit Firm Rotation (MAFR) for Investec Bank Limited and Investec Limited

Key focus areas for FY 2021

- Consider of the impact of COVID-19 and mitigating steps taken in this regard, including impacts on business resilience, liquidity and credit loss provisioning
- Initiate tender and appointment process to facilitate MAFR
- Consider the appointment of external auditors
- Monitor external audit quality and independence
- Continue to focus on the judgements, oversight, governance and disclosure of the consequences of IFRS 9
- Continue to effectively communicate with the chairs of audit committees of subsidiaries including attendance at sub-committees
- Evaluate the effectiveness of the internal audit function
- Focus on ensuring that the group's financial systems, processes and controls are operating effectively and evolve with the changes in the industry
- Consider the implication of changes in accounting standards
- Continue to exercise oversight over subsidiary audit committees in remote locations



Structure of the Investec group's Audit Committees

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

The Investec plc board has mandated authority to the Investec plc Audit Committee, and the Investec Limited board has mandated authority to the Investec Limited Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP and IW&I (UK) Audit Committees report to the Investec plc Audit Committee and the IBL and IW&I (SA) Audit Committees report to the Investec Limited Audit Committee. The IAM Global Audit Committee reported to the Investec plc and Investec Limited Audit Committees up to the point of the demerger on 16 March 2020. The DLC audit committee chairman chairs each of the Investec plc, Investec Limited and Investec Bank Limited Audit Committees.

The committee receives regular reports from the group's subsidiary Audit Committees as part of the oversight of subsidiary Audit Committees. The INL Audit Committee chair is also the chairman of the DLC Audit Committee, Investec plc Audit Committee, Investec Bank Mauritius (IBM) and is a member of the Investec Bank plc and the Investec Life Audit Committees.

Role and responsibilities

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

- overseeing the group's financial reporting process and risks, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- appointing, managing and overseeing the relationship with the group's external auditors, including the quality control, effectiveness and independence of the external audit function
- reviewing the group's internal controls and assurance processes, including those of internal audit
- manage and oversee the performance, conduct, quality and effectiveness of the group's internal audit functions
- oversight of group compliance
- overseeing the group's subsidiary Audit Committees, including in remote locations
- the DLC Audit Committee is supported by the Investec plc and Investec Limited Audit Committees
- determining the fees to be paid to external auditors
- managing the level and nature of non-audit services provided by the auditors
- dealing with any concerns from outside and inside Investec regarding accounting, reporting and financial control

Composition and meetings

The INL Audit Committee is comprised entirely of independent non-executive directors who must meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nomdac, which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the INL Audit Committee has the appropriate balance of knowledge and skills for them to discharge their duties. In particular, all of the members are chartered accountants and by virtue of their experience in the banking, financial services, financial management and audit sectors, the members collectively have the competence relevant to the sector in which the group operates. Further details of the experience of the members can be found in their biographies on pages 118 to 121.

Meeting schedule and attendance

- During the financial year ended 31 March 2020, the INL Audit Committee met four times during the year
- the committee further met during the year to sign off on the Annual Financial Statements of Investec Limited
- a regulatory and accounting update session was held by the committee with Ernst & Young Inc. to ensure it keeps abreast of all regulatory and governance changes
- a combined meeting was held with the DLC BRCC in February 2020 to discuss changes to the IFRS 9 scenarios and probabilities for 2020, with a further update to scenarios in April 2020 to cover the impact of COVID-19 and economic downgrades
- Audit quality meetings were held with each of the Investec Limited auditors, Ernst & Young Inc. and KPMG Inc., to consider and conclude on Audit quality and JSE partner accreditation
- A Trilateral meeting was attended with the South African Prudential Authority to discuss internal and external audit findings.

		Investec Limited Audit Committee (4 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
ZBM Bassa (chair)	1-Nov-14	4	4
LC Bowden*	11-Dec-18	2	1
PA Hourquebie	14-Aug-17	4	4
PG Sibiya**	9-Aug-19	3	3

* *LC Bowden stepped down from the DLC Audit Committee, the Investec plc Audit Committee and the Investec Limited Audit Committee with effect from 8 August 2019.*

** *PG Sibiya was appointed as a member of the DLC Audit Committee, the Investec plc Audit Committee and the Investec Limited Audit Committee with effect from 9 August 2019.*

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

Other regular attendees

- Joint chief executive officers of the group #
- Group finance director
- Head of risk
- Heads of internal audit – Investec Limited and Investec plc
- External auditors
- Group company secretaries
- Heads of IBL and IW&I (SA)
- Chair of IAM Global Audit Committee
- Head of corporate governance
- Head of tax

\# *Fani Titi became the sole chief executive officer on 16 March 2020 following the demerger of the Asset Management business from the group.*

Areas covered by the INL Audit Committee

The significant matters addressed by the committee during the financial year ended 31 March 2020, and in evaluating the annual report and financial statements are described on the following pages.

Key audit matters

Key audit matters, are those matters in the view of the INL Audit Committee that:

- required significant focus from the committee
- were considered to be significant or material in nature requiring exercise of judgement; or
- matters which were otherwise considered to be subjective from an accounting or auditing perspective.

The following key audit matters were deliberated by the INL Audit Committee during the year:

Key Audit Matters	*What we did*
Impact of COVID-19 • The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. There is a significant degree of uncertainty about the further spread of the virus and the impact it will have on the world economy	• considered the known impact of Covid-19 on the economy in both South Africa and Mauritius and the resulting impact on the applicability of the scenarios, judgements and estimates used by management to prepare the annual financial statements • The areas most impacted by COVID-19 include: – going concern and business viability including liquidity – expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities and staging) – impact on quality of earnings – fair value measurement and the resulting IFRS 13 Fair Value Measurement disclosures The steps taken by the committee to consider these are specifically addressed below
Compliance with COVID-19 guidance provided by regulators and standard setters • As part of the response to the COVID-19 global crisis, banking regulators in South Africa and globally issued guidance and revised regulations regarding the application of accounting principles, liquidity and capital management	• received and reviewed a memorandum prepared by Investec management summarising the guidance issued in all jurisdictions and how management intends to comply with this guidance • through the review of the ECL process, confirmed the application of the guidance on the accounting principles to be applied • through participation of audit committee members on the remuneration committee and the board of directors, confirmed that there will be no cash bonus payments to executive management and that a dividend will not be declared
Accounting for the demerger of Investec Asset Management • In September 2018, the directors announced their intention to demerge the Asset Management (rebranded Ninety One) business and on 16 March 2020 the demerger was completed. Subsequent to the demerger the group holds a 25% investment in Ninety One (Investec Limited 8.74%, Investec plc 16.26%) which is accounted for at the group level as an associate	• reviewed the initial impact valuation of Investec Asset Management as performed by a professional external valuation specialist • received regular updates on the demerger from group finance, group tax and legal to enable it to evaluate the appropriateness of the accounting and the regulatory and legal compliance of the demerger • considered the appropriateness of the accounting principles applied to account for the demerger, and the disclosure of the transaction • reviewed the technical accounting memorandum prepared by group finance • convened a special audit committee meeting to approve the accounting principles applied in the preparation of the circular and the content of the circular issued • reviewed and confirmed the appropriateness of the accounting treatment of the demerger and the gain thereon, and the accounting treatment of the remaining holding as an associate at a group DLC level and as an investment at an Investec Limited level

Key Audit Matters	*What we did*
Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure • For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is necessarily a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental	• received presentations on the material investments across the group including an analysis of the key judgements and assumptions applied and approved the valuation adjustments proposed by management for the year ended 31 March 2020 • challenged and debated significant subjective exposures and assumptions including: – the valuation principles applied with the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 on these valuation principles – fair value of exposures in industries highly affected by COVID-19 – exposures in respect of Southern African mining loans and investments – management's plans for work out of such exposures, client history, geographical and sectoral exposure and assumptions around collateral valuation and debt restructures – the appropriateness of the IFRS 13 disclosures on fair value
Impairment of investments in associates • evaluated the appropriateness of the carrying amount of investments in associates measured at amortised cost	• received and reviewed technical accounting memoranda prepared by group finance on the material investments in associates across the group addressing the appropriateness of the carrying value of the investments and the impairment assessment performed by management. This included an analysis of the key judgements and assumptions applied • evaluated the appropriateness of the accounting treatment and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied
Going concern • the directors are required to confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future	• undertook an assessment on behalf of the board, and recommended to the board that it was appropriate for the financial statements to be prepared on a going concern basis • in this process considered reports on the group's budgets and forecasts, profitability, capital, liquidity and solvency, scenario stress testing and the impact of legal proceedings; if any • considered the results of various stress testing based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of Investec Limited to continue as a going concern • specifically, as part of the demerger approval process, concluded that following the demerger of the Asset Management business from the Investec group, that INL would have adequate resources to continue as a going concern for the foreseeable future • jointly with the DLC BRCC, assessed the reasonableness of and approved the Investec group viability statement based on three-year capital plans produced by management. Assessed the viability of INL as a part of this process
Expected credit loss (ECL) assessment • The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 in South Africa and Mauritius and the economic downgrade events in South Africa have resulted in additional key judgements and assumptions being made during the current year	• reviewed the appropriateness of the forward looking macro-economic scenarios used in the measurement of ECL in South Africa. The macro-economic scenarios were updated to capture the wide-reaching impacts of the sovereign downgrade to sub investment grade as well as the impact of COVID-19. The committee further evaluated the appropriateness of the management ECL overlay to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio • challenged the level of ECL and the assumptions used to calculate the ECL provisions held by the group • reviewed and monitored the group's calculation of expected credit losses, trends in staging changes, model changes, scenario updates, post-model adjustments, and volatility. Specific review and consideration were given to the macroeconomic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions • convened a dedicated combined audit and risk committee meeting to consider economic scenarios adjusted for the forecasted potential impact of COVID-19, probabilities and weightings, principles applied, potential indicators of SICR, changes to governance over models and ECL principles applied • assessed ECL experienced against forecast and considered whether the level of ECL was appropriate. Particular focus was given to COVID-19 restructured positions (payment holidays) and sectors highly impacted by COVID-19 and exposures which are specifically affected by the negative current macro-economic environment • evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • assessed the appropriateness of the ECL provision raised for large exposures in entities publicly perceived to be in financial distress

Key Audit Matters	*What we did*
External audit, audit quality and mandatory audit firm rotation (MAFR)	• managed the relationship with the external auditors including their appointment • considered and approved a revised policy in respect of non-audit services rendered by external audit • pre-approved all non-audit services provided by external audit and confirmed the services to be within the approved non-audit services policy • assessed the independence and objectivity of the external auditors • met with key members of EY Inc. and KPMG Inc. prior to every Audit Committee, to discuss the 2019/2020 audit plan, key areas of focus, findings, scope and conclusions • met separately with the leadership of Ernst & Young Inc., KPMG Inc. to discuss auditor accreditation, independence, firm quality control, results of internal and external inspections and audit quality • met regularly with EY LLP and EY Inc. - the auditors of the DLC • discussed external audit feedback on the group's critical accounting estimates and judgements. Noted the increased involvement of specialists from the audit firms on the more complex matters in the current year • discussed external auditor's draft report on specific control areas and the control environment ahead of the 2020 financial year end. The committee considered and discussed with the auditors accounting in respect of significant accounting transactions including the IAM demerger and impairments of associates • the committee approved the external audit plan, audit fee and the main areas of focus • had a closed session with the auditors without management In line with the conditions set out in section 94(8) of the South African Companies Act, and based on its assessment documented above, using the criteria set out by the King IV Code, the JSE Listings Requirements, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners The committee evaluated the legal and regulatory MAFR requirements to rotate external auditors. An audit rotation plan was developed and approved by the committee that stipulates the timing of the audit tender process, the transition and the effective date of the rotation in each of the jurisdictions Investec operates in. According to the plan, Investec initiated the audit tender process to rotate one of the joint external audit firms of Investec Bank Limited and Investec Limited Additional information regarding the procedures performed by the committee on external audit and the audit rotation plan is provided on pages 151 to 152

Other matters considered by the INL Audit Committee:

Apart from financial reporting matters, the committee has responsibility for oversight of the effectiveness of the group's internal controls, the appointment, performance and effectiveness of internal audit, and the performance, objectivity and independence of the external auditors. The committee considered the following matters during the financial year ended 31 March 2020:

Area of focus	*What we did*
IFRS	• reviewed the impact of the first-time adoption of IFRS 16 and IFRIC 23 and the related disclosures • The 2019 DLC annual and interim financial statements were subject to a JSE pro-active monitoring review. The outcome of the review confirmed compliance with IFRS and regulatory disclosure requirements
Related Party Disclosures	• considered and reviewed related party disclosures in relation to the group • DLC Nomdac reviewed key related party transactions during the year and ensured that policies are being complied with
Regulatory Compliance and Reporting	• received regular reports from the INL regulatory compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings by the external auditors and regulators
Post-balance sheet disclosure	• considered the need for post-balance sheet disclosures. Specifically considered the impact of COVID-19 in the affected jurisdictions that INL operates in
Financial statements	• met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure • assessed disclosure controls and procedures including compliance with IFRS, JSE Listings Requirements, Pro Active Monitoring Guidance and King IV • confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • received a written assessment from internal audit on internal controls • obtained input and assurance from the external auditors • the committee concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2020 were appropriate in ensuring that those statements were fairly presented • the committee recommended to the board that the 2020 annual report and financial statements were fairly presented
Combined Assurance Model	• satisfied itself with the appropriateness of the design and effectiveness of the combined assurance model applied which incorporates the various disciplines of risk management, legal and regulatory compliance. Satisfied itself with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks
Internal controls • the effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans	• attended and received regular reports from the DLC BRCC. Based on this reporting, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment • evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames • reviewed reports from the Independent Audit Committees of Investec Asset Management and Investec Wealth & Investment, both of which were attended by the INL Audit Committee chair • evaluated reports on the internal control environment from the internal and external auditors • attended and received regular reports from the IT Risk and Governance Committee regarding the monitoring and effectiveness of INL's IT controls. Considered updates on key internal and external audit findings in relation to the IT control environment • reviewed and approved the Combined Assurance Model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage

Area of focus	*What we did*
Business control environment • the effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans	• received regular reports from subsidiary audit sub-committees • assessed reports on individual businesses and functions on their control environment, scrutinised any identified control failures and closely monitored the status of remediation plans • received updates from senior management, and scrutinised action plans following internal audit findings • requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation
Internal audit • the performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan • the committee is responsible for assessing audit quality in relation to Internal Audit	• scrutinised and reviewed internal audit plans, risk assessment, methodology, staffing and approved the annual plan. Assumed responsibility for the monitoring and following up of internal audit control findings, including IT, and ensured appropriate mitigation and timeous close out • received regular reports from internal audit on all significant issues identified • monitored audit quality in relation to internal audit • monitored delivery of the agreed audit plans, including assessing internal audit resources • reviewed succession for key internal audit roles • tracked in parallel the levels of high and moderate risk audits, and monitored related remediations plans • met with the heads of internal audit prior to each audit committee meeting, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted • approved the internal audit plans, methodology and deliverables • confirmed that it was satisfied with the performance of the internal audit function • approved the risk assessments and rotational audit plan • reviewed the EQAR conducted by an external provider during 2020, with no material issues impacting the INL internal audit function • received an opinion from internal audit on internal controls and the integrated risk management framework as part of the year-end sign-off process • considered the succession, skills matrix and the Continuous Professional Development (CPD) of Internal Audit • had a closed session of the audit committee with internal audit without management present • the internal audit quality assurance program is designed in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics) • the quality assurance program is multi-faceted, and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post engagement quality assurance program • the results of the post engagement quality assurance program inform any training interventions required within the team and the results are consolidated and presented to the Audit Committee on an annual basis
Finance function	• discussed and concluded that the finance director has the appropriate expertise and experience and the finance function has sufficient resources and skills to perform the financial reporting for the INL group

External audit

The INL Audit Committee has the following responsibilities:

- To nominate a registered auditor for the INL group who, in the opinion of the audit committee, is independent
- To consider the audit fees to be paid to the auditors and the scope of the engagement
- To determine the nature and extent of any non-audit services that the auditor may provide
- To satisfy itself of the independence and objectivity of the external auditors
- To satisfy itself of the experience and the capacity of the audit teams

Auditor appointment

In terms of Section 90 of the South African Companies Act an auditor is prohibited from providing certain specified services for a client on which a statutory audit is performed.

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

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

Non-audit services

The Investec group has adopted a new policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the INL Audit Committee. The policy was reviewed and revised during the current year.

Total audit fees paid to all auditors for the year ended 31 March 2020 were R115 million (2019: 101 million), of which R1.8 million (2019: R2.5 million) related to the provision of non-audit services.

Total non-audit fees for each of the auditing firms were pre-approved by the chair prior to every assignment.

Included in non-audit services in the current year are assurance services typically provided by the external auditor in respect of circulars and prospectuses as part of the demerger of the Asset Management business. Based on the abovementioned policy and reviews, the committee was satisfied that the level and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young Inc. and KPMG Inc.

Partner accreditation and audit quality

In terms of the amended JSE Listings Requirements, external audit Partner Accreditation, which was previously done by the Independent Regulatory Board for Auditors (IRBA), is now the responsibility of the INL Audit Committee, together with specific responsibilities around audit quality. In this regard discussions in respect of audit quality continued between the INL Audit Committee, Ernst & Young Inc., KPMG Inc., the joint auditors of INL, as well as EY LLP who with EY Inc. are the auditors of the DLC.

The following was covered during these discussions:

- transparency reports and reviews by each of the two firms covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria;
- any reputational, legal or impeding legal issues impacting the firm;
- the independence processes of the firm, including partner reward and remuneration criteria;
- interrogation of international and local firm audit quality control processes;
- detailed profiles of all partners and managers on the Investec assignment, including their relevant audit experience, were reviewed;
- details in relation to each firm's respective succession plans in order to provide assurance as to the partner rotation, transition and continuity process;
- the results of the last firm-wide reviews carried out by the regulatory body, IRBA in South Africa; FRC in the UK;
- the results of the last individual partner quality reviews carried out by the regulator and internal firm-wide quality control reviews carried out in respect of each partner; and
- the completion of an audit quality questionnaire by each member of the Audit Committee and management, the results of which were that a robust audit is in place.

Auditor independence and objectivity

- The INL Audit Committee considers the independence of the external auditors on an ongoing basis
- The external auditors are required to rotate the lead audit partner every five years and other key audit partners every five years
- Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period
- The lead partners commenced their respective five-year rotation as follows: EY Inc: 31 January 2018, KPMG Inc: 31 January 2018
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Investec audit meet the independence criteria.

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

- the extent of audit cross reviews, both between the joint auditors of Investec Limited and additional reviews by KMPG International
- the additional cross reviews by the EY LLP the DLC auditors across the group supported by partner rotation
- limitations on non-audit services including pre-approval on non-audit work
- the confirmation of the independence of the firms and auditors involved
- formal audit quality process undertaken by the Audit Committee.

Mandatory Firm Rotation

Investec Limited

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

The rule on MAFR as issued by the Independent Regulatory Board for Auditors (IRBA) requires that an audit firm shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive financial years. Thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years. The requirement is effective for financial years commencing on or after 1 April 2023. If, at the effective date, the entity has appointed joint auditors and both have had audit tenure of 10 years or more, then only one audit firm is required to rotate at the effective date and the remaining audit firm will be granted an additional two years before rotation is required.

The INL Audit Committee considered the implications of the mandatory audit firm rotation rule as issued by IRBA, the requirements of the South African Companies Act and the state of the audit profession in South Africa including the reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration balanced with the implications of having joint auditors and the risks inherent to an audit transition. Based on this assessment, the audit Committee deemed it prudent to commence the process by rotating one of the joint auditors effective from the financial year commencing 1 April 2023, with the remaining firm rotating two years thereafter.

A competitive tender process has commenced to appoint the audit firm to be rotated for the financial year commencing 1 April 2023. The conclusion of the tender process will be communicated publicly as soon as it is concluded.

Re-election of auditors

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

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

The board and INL Audit Committee is recommending the re-election of KPMG Inc. and Ernst & Young as joint auditors of Investec Limited at the annual general meeting in August 2020.

Zarina Bassa
Chair of the Investec Limited Audit Committee

16 June 2020

DLC Board Risk and Capital Committee report

As the chairman of the DLC BRCC, during the financial year ended 31 March 2020, I am pleased to present our report.

The role of the committee is to review, on behalf of the board, the range of risks facing the business. We perform this function by considering the risk reports presented and question whether existing actions taken by management are appropriate.

The DLC Audit Committee has the primary role in providing assurance to the board that adequate controls are in place to mitigate the enterprise wide risks identified and that the controls may be relied upon. Therefore, the Audit Committee relies on the output of the committee to give assurance on the completeness of enterprise wide risks. As it is essential that there are some synergies in membership of the DLC Audit Committee and DLC BRCC, common membership is retained by Zarina Bassa, as the chair of the DLC Audit Committee, and Philip Hourquebie and Philisiwe Sibiya, as members of the DLC Audit Committee.

Capital ratios have remained sound throughout COVID-19. With respect to Market Risk ,we remained within risk limits through the period, except for the UK equity structured products business which was significantly impacted by a sharp fall in equity markets pursuant to the COVID-19 pandemic, and resultant changes in assumed dividend yields. The committee reviewed and approved the capital plans for IBL and IBP under various stress scenarios. The committee was also actively involved in reviewing the various models for the Foundation Internal Ratings Based (FIRB) approach. The South African Prudential Authority approved the IBL application to calculate its minimum capital requirements in respect of credit risk for the wholesale portfolios using the FIRB approach and retail portfolios using the Advanced Internal Ratings Based (AIRB) approach, effective April 2019.

Reports to the committee focus on the key risk disciplines of credit, operational, legal, conduct, reputational, capital, liquidity, climate change risk, financial crime, business resilience, market, investment risk, information technology and cyber security. Due to the dynamic nature of the business environment in which Investec operates, the committee is flexible in considering other matters of relevance as they arise. For example, the committee requested several *ad hoc* reports in order to adequately assess risks that are due to one off events, including deep dives on certain significant risk exposures such as business resilience and cyber crime.

At each board meeting, a report is presented on the key matters discussed at the committee with particular focus on any new risks identified.

In the latter part of the financial year, the committee focused on the rapidly evolving impact of COVID-19 and the potential introduction of a broad range of risks across the business: people risk, operational resilience and financial risks including market risk, credit risk and liquidity risk. We focused on deposit origination through our funding channels in anticipation of increased levels of notice given by corporates to shore up their liquidity needs. We actively monitored our liquidity position and risk metrics and various market scenarios. The committee was provided with assurance that due attention and appropriate action was being taken and the committee was regularly kept abreast of the risks given the fluidity of the situation.

We believe that robust risk management systems and processes are in place to support the group strategy

DLC Board Risk and Capital Committee report

David Friedland
Chairman of the DLC BRCC

Key achievements in FY 2020

- Reviewed the targeted attack simulation (TAS) exercise conducted by external consultants in order to mitigate cybercrime risk. Ensured remedial action was being taken in respect of identified weaknesses
- Brexit: Consideration of risks that could be faced and management actions to mitigate the impact thereof
- Monitored progress of converting the IBL wholesale book from the Foundation Internal Ratings Based (FIRB) to the Advanced Internal Ratings Based (AIRB) approach
- Monitored the effectiveness of Risk Data Aggregation and Risk Reporting (RDARR)
- Monitored the implementation of the General Data Protection Regulation (GDPR)
- Continued focus on the further embedding of International Financial Reporting Standards (IFRS 9)
- Reviewed strengthening our Economic, Social and Governance (ESG) assessments and monitoring processes
- Discussed climate-related risks and opportunities for enhanced Task Force on Climate related Financial Disclosures (TCFD) disclosures
- Ensured that any risks associated with the demerger of the Asset Management (Ninety One) business were adequately addressed
- Reviewed the results of IBP's liquidity stress test simulation exercise, including consideration of actions resulting therefrom
- Approved the group's Internal Capital Adequacy Assessment Process (ICAAPs), the group's Internal Liquidity Adequacy Assessment Process (ILAAP)
- Monitored the impact and measures taken to manage COVID-19

Areas of focus in FY 2021

- Monitor the impact and measures taken to manage COVID-19 including the impact on staff, the workplace, financial, client services, risk and compliance
- Monitor the continued mitigation of risks related to cybercrime and information security
- Monitor effectiveness of RDARR
- Continuing focus on the further embedding of IFRS 9
- Monitor regulatory developments
- Continuing to strengthen our ESG processes
- Strengthening disclosure according to TCFD recommendations
- Review business resilience
- Monitor the impact and measures taken to manage COVID-19 including the impact on staff, the workplace, financial, client services, risk and compliance
- Monitor the conversion of the IBL wholesale book from FIRB to AIRB
- Approve the group's ICAAP and IBP's ILAAP
- Brexit: continued consideration of the risks that could be faced and the monitoring of management actions to mitigate the impact thereof

Committee performance

The performance of the committee was evaluated over the year and it was concluded that it was to be operating effectively.

Role of the chair

During the year, meetings were held regularly with the heads of business, as well as heads of the risk disciplines outside of formal committee meetings in order to maintain and develop an understanding of the group's operations and risks facing the business. These interactions are an essential part of the role of the chairman, as it provides an additional layer of assurance to help gain comfort that risks that are reported to the committee accurately reflect the risks facing the business.

Looking forward

There is currently unprecedented uncertainty resulting from the COVID-19 pandemic, including the depth of the potential downturn in activity, the duration of restrictive measures and the lockdown exit plans within the geographies in which we operate.

It is presently difficult to predict the full impact that the pandemic will have on the group.

We will regularly review and, where necessary, question management's ongoing responses so as to ensure that the challenges posed by COVID-19 are given its full attention.

In the year ahead, the committee will continue to focus on matters related to the impact of economic conditions on Investec, effective risk data aggregation, business resilience, financial crime, the implementation of regulatory requirements, Financial Intelligence Centre Act (FICA) and the King IV Code, information security, cybercrime and risks associated with the fast pace of regulatory change faced by the business and assessing the impact of external factors on the group's risk profile.

The committee will continue to dedicate time either within scheduled meetings or with ad-hoc meetings to receive in-depth reporting on specific risks or business lines from subject matter experts to facilitate better understanding of the risks and to allow for debate and challenge.

David Friedland
Chairman, DLC BRCC

16 June 2020

Role

The committee is an essential part of the group's governance framework to which the board has delegated the monitoring of the group's activities in relation to a number of risks and capital management. The committee is the most senior risk management committee of the group and comprises executive and non-executive membership. It covers each material banking and wealth management subsidiary company within the wider group.

The committee has to ensure that all risks are identified and properly mitigated and managed. Good client and market conduct are paramount in all the group does and the committee ensures a robust culture supported by oversight and management of information to evidence good practice.

The committee also considers whether the resources allocated to the risk management functions are adequate for effectively managing the group's risk exposures.

The committee is also the appointed board committee to meet the requirements of the South African Banks Act and the Capital Requirements Regulation and Directive (CRR/CRD IV), adopted by the European Commission and implemented in the UK. This requires the board of directors of a bank and a holding company to appoint a risk and capital committee.

Composition and meetings

The DLC Nomdac and the board have formed the opinion that the committee has the appropriate balance of knowledge and skills in order to discharge its duties. All members have the relevant knowledge and experience for them to be able to consider the issues that are presented to the committee.

The committee meets at least six times every year. During the year ended 31 March 2020, the committee met six times.

A Combined DLC Audit Committee and DLC BRCC meeting was held in February 2020 to review Macro Economic Scenarios, Weightings and the impact on Expected Credit Losses (ECL) and IFRS 9, to jointly sign off on these matters.

		DLC BRCC (6 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
D Friedland (Chairman)	13-Sep-13	6	6
ZBM Bassa	14-Nov-14	6	6
PKO Crosthwaite	9-Nov-18	6	3
B Kantor*	11-Mar-11	2	1
S Koseff**	11-Mar-11	2	1
NA Samujh***	8-Aug-19	4	4
PA Hourquebie	17-Aug-17	6	6
KL Shuenyane	16-Jan-15	6	6
HC Baldock****	9-Aug-19	4	4
PG Sibiya*****	9-Aug-19	4	4
F Titi	11-Mar-11	6	6

* *B Kantor stepped down from the committee with effect from 8 August 2019.*

** *S Koseff stepped down from the committee with effect from 8 August 2019.*

*** *NA Samujh was appointed to the committee with effect from 9 August 2019.*

**** *HC Baldock was appointed to the committee with effect from 9 August 2019.*

***** *PG Sibiya was appointed to the committee with effect from 9 August 2019.*

^ *Where a director is unable to attend a meeting, they review their meeting papers in advance and have the opportunity to provide comments to the chairman of the committee.*

Other regular attendees

- Operational risk
- Internal audit
- Head of IT security
- Investec Wealth & Investment (SA) representative
- Investec Wealth & Investment (UK) representative
- Chief risk officer – Investec Limited
- Chief risk officer – Investec plc
- Investec Asset Management head of legal risk and compliance#
- Global head of governance and compliance
- AIRB / FIRB project representative for AIRB / FIRB
- Head of legal

\# *Attended until the January 2020 meeting*

How the DLC BRCC works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

The standard and regular agenda items of the committee include comprehensive reports pertaining to liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud and IT and cyber risk.

COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Capital management • We may have insufficient capital to meet regulatory requirements and may deploy capital inefficiently across the group • The progress/plan to achieving required regulatory and internal targets and capital and leverage ratios	• measured key capital ratios against the internal and regulatory limits and what actions management planned to meet these ratios/limits • reviewed regulations on the management of capital – IFRS 9 and AIRB • considered and assessed the implications of capital relaxation requirements in respect of COVID-19 • satisfied itself that Investec plc and Investec Limited and their subsidiaries were adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios
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 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	• reviewed regular reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective management thereof • considered the impact and measures taken to manage COVID-19 • challenged the effectiveness of the management of liquidity risk within the business • reviewed an investment measure to ensure sufficient liquidity to absorb repayment of the Irish deposits pursuant to Brexit • reviewed management's plans to address liquidity challenges caused by COVID-19, including focused deposit origination and revised funding plans
Balance sheet risk • 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	• regularly reviewed reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective management thereof
Recovery and resolution plan • Documents how the group will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec plc and Investec Limited	• reviewed the recovery and resolution plans for the group in line with the mandated annual review • challenged the recovery and resolution plans addressing how the group will recover from extreme financial stress and avoid liquidity and capital difficulties in the group • gained comfort that adequate plans had been put in place for scenarios where the group was required to recover from extreme financial stress • considered the impact and measures taken to manage COVID-19
Market risk • Market risk arising in our trading book could affect our operational performance • Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, commodity prices, exchange rates, credit spreads and the underlying volatilities in the derivatives market	• monitored risk appetite breaches and challenged management action which addressed these breaches • considered the initial impact of COVID-19 • received and interrogated a report on the losses suffered in equity UK Structured Products • reviewed the impact of new market risk capital regulations including the Fundamental Review of the Trading Book, and gained comfort that the project in place was progressing with appropriate management focus reviewed the initial impact of COVID-19 and mitigating actions
Credit and counterparty risk • Credit and counterparty risk exposes us to losses caused by an obligor's failure to meet the terms of any agreement	• monitored the risk appetite limits and questioned management action taken in respect of breaches • challenged the effectiveness of the management of such risks within the business
Investment risk • We may be exposed to investment risk in our unlisted and listed investment portfolios and property investment activities. The probability or likelihood of occurrence of losses relative to the expected return of any particular investment	• reviewed and challenged the governance processes in place to manage the risk • reviewed and questioned the investment risk reports submitted to the committee

Areas of focus	*What we did*
Operational risk • Operational risk from failures relating to internal processes, people, systems or from external events may disrupt our business or result in regulatory action. The potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences	• monitored operational losses and received detailed explanations for significant losses • reviewed the overall risk rating for the group • considered and reviewed the risk appetite limits for the group • monitored and reviewed regulatory compliance risk, information security risk, access risk and regulatory developments • considered the impact of risk and regulatory developments on the business
Reputational risk • Reputational, strategic and business risks could impact our operational performance. Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made and also arises as a result of other risks manifesting and not being appropriately mitigated	• monitored events which could potentially create reputational risk • gained comfort that reputational risk was mitigated as much as possible through detailed processes and governance escalation procedures from business units to the board, and from regular, clear communication with all stakeholders
Conduct risk • Conduct risk is the risk that detriment is caused to the group, its customers, its counterparties or the market, as a result of inappropriate execution of business activities	• reviewed and questioned the conduct risk report which is discussed at each meeting • gained comfort that conduct related matters were appropriately managed and where required, reporting was made to the Regulators in a timely manner • challenged the effectiveness of the management of such risks within the business
Business Resilience • Risk associated with disruptive incidents which can impact premises, staff, equipment, systems and key business areas	• reviewed, challenged and debated reports which highlight processes in place to manage business resilience • reviewed results of business resilience tests • challenged the effectiveness of the management of such risk within the business • considered the impact of COVID-19 on the continuation of the business in the current environment
Cyber crime risk • Cyber risk can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm	• received and assessed regular reports regarding the cyber crime landscape, including lessons learnt from external cyber attacks • received the targeted attack simulation (TAS) results and ensured that any remediation required was completed • gained comfort that the management of cyber crime was given the necessary priority
Climate Change • Unintended environmental (including climate risk), social and economic risks could arise in our lending and investment activities	• received and considered reports regarding environment and climate change • considered management's actions to mitigate the potential financial risks from climate change
IT Security & Technology • We may be vulnerable to the failure of our systems and breaches of our security systems (including cyber and information security)	• received and reviewed reports from the chair of the INL IT Risk & Governance Committee • interrogated reports on the remedial actions taken in respect of TAS
Financial Crime • We may be exposed to financial crime, including money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft	• regular reports were presented and interrogated with regard to financial crime events • reviewed and considered the annual money laundering report officer's report

DLC Remuneration Committee report

For information on the decisions taken by the DLC Remuneration Committee, refer to the remuneration report contained on pages 178 to 237 in volume one of the Investec group's 2020 integrated annual report.

During the financial year ended 31 March 2020, the DLC Remuneration Committee met ten times. This comprised eight scheduled meetings and two additional meetings called at short notice. Attendance at committee meetings is shown below.

		DLC Remuneration Committee (10 meetings in the year)	
Members	Committee member since	Eligible to attend	Attended
PA Hourquebie (chairman)	14-Aug-17	10	10
ZBM Bassa	10-Sep-15	10	9
PKO Crosthwaite	18-Sep-13	10	8
CR Jacobs	8-Aug-14	10	10

^ *Where a member is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.*

How we comply

Regulatory context

The group operates under a dual listed companies (DLC) structure which requires compliance with the principles contained in the South African King IV Code of Corporate Governance Principle (available at www.iodsa.co.za) and the UK Corporate Governance Code 2018 (available at www.frc.org.uk).

We believe that sound corporate governance depends on much more than mere compliance with regulations. Good conduct and ethical practice is embedded in everything that we do at Investec. By acting in accordance with our values and principles, we believe that good governance is ensured.

Please refer to pages 167 to 169 of the annual report, for the directors' responsibility statement and directors' report.

Statement of compliance

King IV

The board has applied the King IV Code throughout the group and is satisfied that King IV has been complied with.

Other statutory information

Workforce engagement

The DLC Nomdac considered how the board would further engage with our people, and made a recommendation to the board as to the appropriate method. The board agreed that a designated non-executive director be appointed to support the directors' engagement with our people.

Recognising the independent governance structures within the group, it was determined that a designated non-executive director be appointed from the board, Philip Hourquebie, the IBP board, Moni Mannings, and the Wealth & Investment board, Cath Thorpe, to ensure that each of the respective boards were made aware of the views expressed by our people.

The board identified the current engagement activities, which included culture dialogues, diversity and inclusion programmes, well-being programmes, talent programmes, country and site visits, town halls, and question and answer sessions. Enhancements to these existing engagement activities were agreed to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board for discussion and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting was established, with management and the designated non-executive directors in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Management subsequently reports to their respective boards on the engagement activities, with the designated non-executive director highlighting the matters of interest from our people to support the key decision making of their respective boards.

The board utilised the matters of interest to our people to inform its discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of COVID-19, also adapted the manner in which it engaged with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remained connected and engaged with our people whilst the majority of the workforce worked from home.

Viability statement

In accordance with the UK Corporate Governance Code, in addition to providing a going concern statement, the Investec group board is required to make a statement with respect to the group's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces. Following confirmation by the DLC BRCC (comprising a majority of non-executive directors, which includes members of the audit committees) the audit committees recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing the group and these are highlighted on page 23.

Through its various sub-committees, notably the audit committees, the DLC BRCC and the capital committees, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity, solvency and operational resilience of the group. The activities of these board sub-committees and the issues considered by them are described in the governance section of this report.

Taking these risks into account, together with the group's strategic objectives and the prevailing market environment, the board approved the overall mandated risk appetite framework for Investec Limited. The risk appetite frameworks set broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the group's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite framework. A review of the group's performance/measurement against its risk appetite framework is provided at each DLC BRCC meeting and at the main board meetings.

In terms of the South African Prudential Authority (South African PA) requirements, the group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the group is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market wide, firm specific, and combined scenarios (combination of the market wide and firm specific stresses). The group manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the board-approved risk appetite. In addition to these stress scenarios, the group's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each banking entity within the group is required to be fully self-funded. The group currently has R147.2 billion in cash and near cash assets, representing 39.2% of customer deposits.

The group develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of the group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that the group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The group targets a minimum capital adequacy ratio of 14% to 17%, a tier 1 ratio greater than 11%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is paired with macro-economic downside risks to design Investec specific stress scenarios.

For 2020, given the developments in relation to the COVID-19 pandemic, specific consideration was given to the potential risks associated with COVID-19 and scenarios were developed in order to incorporate the potential impact.

- Base case: The base case scenario incorporates a temporary sharp global recession from the COVID-19 pandemic, low interest rates and severe depreciation of the Rand. Eventually sufficient global and domestic monetary and other policy measures support growth and risk sentiment stabilises, with no further South African sovereign credit rating downgrades.
- Down case: A scenario which incorporates a temporary sharp global recession from the COVID-19 pandemic, but with a more severe recession in the South African economy than incorporated in the base case following a prolonged COVID-19 impact, depressed business confidence and further credit rating downgrades from all three rating agencies to a B credit rating.
- Severe down case: A scenario where there is a lengthy global recession due to COVID-19, a global financial crisis and South Africa's credit rating is downgraded by all three rating agencies towards C credit ratings.

The group also typically incorporates the South African PA biennial cyclical stress scenarios into its capital processes. The South African PA scenarios were not required to be run in the 2020 year. Accordingly, the group has not run this scenario for the 2020 capital stress testing process.

The board has assessed the group's viability in its 'base case' and stress scenarios. In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed. As noted on page 26, in light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend. This is a clear demonstration of actions that can be taken in periods of severe stress and uncertainty.

We also carry out 'reverse stress tests', i.e. those scenarios that would cause the group to breach its capital and liquidity requirements. These scenarios are considered unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery plan. The purpose of the recovery plan is to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties.

The group also maintains an operational resilience framework for building organisational resilience to respond effectively to operationally disruptive events. This not only ensures continuity of business but also safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The capital and liquidity plans, stress scenarios, recovery plans, resolution pack and the risk appetite statement are reviewed at least annually. In times of severe economic distress, stress scenarios are reviewed more regularly for example as is the case with COVID-19. In addition, senior management hosts an annual risk appetite process at which the group's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets, together with a consolidated group budget, is presented to the board during its strategic review process early in the year.

In assessing the group's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that the group will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of the group's viability over the next three years to 31 March 2023.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of the group's viability:

- Pages 2 to 41, which shows a strategic and financial overview of the business
- Page 23, which provide detail on the principal and emerging risks the group faces
- Page 47, which highlights information on the overall group's risk appetite
- Pages 43 to 113, which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 51, 76 and 81 which highlight information on the group's various stress testing processes
- Pages 83 to 92, which specifically focus on the group's philosophy and approach to liquidity management
- Pages 97 which provide detail on the recovery plan
- Pages 100 to 110 which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 16 June 2020. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the group's control that could cause the group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Conflicts of interest

Certain statutory duties with respect to directors' conflict of interest are in force under the South African Companies Act. In accordance with the Act and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he or she has, or can have, a direct interest that conflicts, or possibly may conflict, with the interest of the company. The board has adopted a procedure, as set out in the MOI that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration, and if considered appropriate, approval.

External directorships

Outside business interests of directors are closely monitored and we are satisfied that all of the directors have sufficient time to effectively discharge their duties.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlight potential conflicts of interest between the interest of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UKLA's Disclosure Guidance and Transparency Rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their "connected persons". These include directors and senior executives of the group. Staff are prohibited from dealing in all listed Investec securities during closed periods. Trading is restricted in respect of all Investec Limited, Investec plc, Investec Property Fund Limited (IPF) and Investec Australia Property Fund Limited (IAPF) securities as well as any warrants, OTC and exchange traded derivatives on the said securities. Staff are restricted from exercising options through Investec Staff Share Schemes during closed periods.

The South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such reward, unless the DLC Remco determines otherwise.

Directors' dealings

Directors dealings in the securities of Investec Limited are subject to a policy based on the JSE Listings Requirements.

All directors' and company secretaries' dealings require the prior approval of the compliance division and the chairman, the senior independent director or the chairman of the audit committee.

All dealings of persons discharging management responsibilities require approval by line management, the compliance division and the chairman.

Related parties

Investec has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. DLC Nomdac reviewed key related party transactions during the year and ensured that the appropriate policies had been complied with. The DLC Nomdac also conducted a comprehensive review of the respective policies.

Time commitment

All potential new directors are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. The Nomdac will then take this into account when considering a proposed appointment on the basis that all directors are expected to allocate sufficient time to their role on the board in order to discharge their responsibilities effectively. This includes attending, and being well-prepared for, all board and board committee meetings, as well as making time to understand the business, meet with executives and regulators, and complete ongoing training. All significant new commitments require prior approval.

Stakeholder engagement

The board recognise that effective communication is integral in building stakeholder value and are committed to providing meaningful, transparent, timely and accurate financial and nonfinancial information to our stakeholders. As part of our stakeholder engagement philosophy and process, the chairman, SID and DLC Remuneration Committee chairman actively engage with UK shareholder representative organisations and our largest shareholders on an annual basis.

At the August 2019 annual general meeting a less than 80% vote was received for the resolution in regard to:

- the re-appointment of KPMG Inc. as joint auditors of Investec Limited

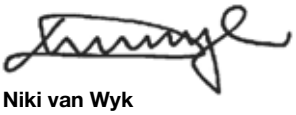
The INL audit committee identified audit quality as a Key Audit Matter as defined by auditing standards and accordingly spent considerable time gaining assurance in this regard and included specific additional procedures to satisfy itself regarding audit quality, audit firm transparency processes, auditor independence and objectivity and auditor rotation planning, where Investec Limited is and intends to remain compliant with the mandated requirements around Mandatory Audit Firm Rotation ("MAFR"). Regarding KPMG Inc., a number of specific additional processes both at a local and international level were implemented to ensure and confirm audit quality.

The INL Audit Committee considered the implications of the mandatory audit firm rotation rule as issued by IRBA, the requirements of the South African Companies Act, the views expressed by shareholders, the implications of having joint auditors and the risks inherent to an audit transition. Based on this assessment, the audit committee decided to commence the process by rotating one of the joint auditors of Investec Limited effective from the financial year commencing 1 April 2023, with the remaining firm rotating two years thereafter. A competitive tender process has commenced to appoint the audit firm to be rotated for the financial year commencing 1 April 2023.

Refer to pages 151 to 152 for further details in regard to the INL Audit Committee's review of the external auditors, and an update on the MAFR process.

Report to shareholders

This report to shareholders has been approved and authorised for issue to the shareholders of Investec Limited on 16 June 2020 and signed on its behalf by:



Niki van Wyk
Company Secretary

Investec Limited

Annexure 1: Summary employment equity progress report at 31 March 2020

Every designated employer that is a public company is required in terms of section 22 of the Employment Equity Act to publish a summary report of their employment equity progress in their integrated annual report. Investec Limited's progress in this regard is reported in the table below.

*Occupational level**

	Male			
	African	Coloured	Indian	White/ Foreign
Top management	2		2	10
Senior management	110	44	102	671
Professionally qualified and experienced specialist and mid-management	270	55	135	275
Skilled, academic, junior management, supervisors, foremen and superintendents	144	25	35	55
Semi-skilled and discretionary decision-making	149	28	14	15
Total	**675**	**152**	**288**	**1 026**

	Female				
	African	Coloured	Indian	White/ Foreign	**Total**
Top management			1	4	19
Senior management	92	33	110	475	1 637
Professionally qualified and experienced specialist and mid-management	391	148	214	489	1 977
Skilled, academic, junior management, supervisors, foremen and superintendents	151	52	56	59	577
Semi-skilled and discretionary decision-making	177	115	15	35	548
Total	**811**	**348**	**396**	**1 062**	**4 758**

* *Where: Top management is Investec's South African management forum. The remaining occupational levels are defined as per the South African Employment Equity Act.*

Annexure 2: Home loan mortgage disclosure at 31 December 2019

In terms of the Home Loan Mortgage Disclosure Act 63 of 2003, all financial institutions are required to disclose information regarding the provision of home loans. Investec offers home loans to individuals through its Private Banking division. The information required to be disclosed by the Act can be seen in the tables below.

	Number of applications	**Rand amount**
Applications received	13 109	29 646 725 397
Approved	9 911	22 740 154 936
Declined	91	215 795 429
Disbursed/paid out	6 115	14 576 724 868

Race groups

	African		**Coloured**	
Analysis by race group	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	2 442	4 249 332 826	541	1 002 203 834
Approved	1 875	3 268 669 177	448	867 948 043
Declined	20	36 383 187	–	–
Disbursed/paid out	1 098	1 805 271 120	254	456 835 446

Annexure 2: Home loan mortgage disclosure at 31 December 2019 *(continued)*

Race groups *(continued)*

	Indian		White		Other	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	1 032	2 123 788 979	6 645	15 644 856 009	2 449	6 626 543 749
Approved	787	1 671 958 726	4 896	11 749 699 970	1 905	5 181 879 021
Declined	10	24 296 700	44	111 069 242	17	44 046 300
Disbursed/paid out	475	955 491 656	2 647	6 508 985 487	1 641	4 850 141 158

Province

	Eastern Cape		Free State	
Analysis by region	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	611	1 144 565 344	161	286 407 356
Approved	477	919 009 981	130	234 661 604
Declined	6	8 348 000	1	2 805 000
Disbursed/paid out	307	619 700 870	72	126 178 100

	Gauteng		KwaZulu-Natal		Limpopo	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	6 821	14 881 210 722	1 189	2 601 468 582	87	132 636 944
Approved	5 031	10 946 441 356	889	2 051 028 688	61	105 134 707
Declined	56	122 083 870	9	19 037 800	1	2 435 237
Disbursed/paid out	2 990	6 616 608 124	665	1 615 877 951	34	58 333 912

	Mpumalanga		North West	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	198	370 190 054	134	240 697 066
Approved	147	220 692 129	104	189 384 246
Declined	–	–	1	7 000 000
Disbursed/paid out	96	179 712 006	76	159 159 933

	Northern Cape		Western Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	35	72 037 331	3 873	9 917 511 998
Approved	26	51 899 145	3 046	8 021 903 080
Declined	–	–	17	54 085 522
Disbursed/paid out	18	32 566 420	1 857	5 168 587 552

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ANNUAL FINANCIAL
STATEMENTS

The financial statements and the group financial statements of Investec Limited, as set out on pages 181 to 276, are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries as if Investec Limited were a standalone component of the dual listed companies structure of Investec Limited and Investec plc, as explained in the accounting policies, and are otherwise in accordance with International Financial Reporting Standards on this basis.

The directors consider that in preparing the financial statements, the company and group have used appropriate accounting policies supported by reasonable and prudent judgement and estimates.

The financial statements of the company and group have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company and group, key processes in operation and specific enquiries, that adequate resources exist to support the company and group on a going concern basis over the next year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the South African Companies Act. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

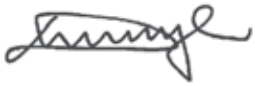
Approval of group financial statements and company financial statements

The directors' commentary and the financial statements of Investec Limited, which appear on pages 168 to 169 and pages 181 to 276 were approved by the board of directors on 16 June 2020.

Fani Titi
Group chief
executive officer

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the South African Companies Act, I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2020, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.



Niki van Wyk
Company secretary, Investec Limited

16 June 2020

Extended business review

Investec Limited is a part of an international specialist bank and wealth manager that provides a diverse range of financial products and services to a select client base in South Africa. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Wealth & Investment and Specialist Banking.

The operating financial review on pages 3 to 16 and pages 36 to 41 provides an overview of our strategic position, performance during the financial year and outlook for the business.

Authorised and issued share capital

During the year, the following shares were issued:

- 13 961 407 special convertible redeemable preference shares of R0.0002 each on 12 June 2019 at par

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2020. At 31 March 2020, Investec Limited held 51 026 675 shares in treasury (2019:29 686 599). The maximum number of shares held in treasury by Investec Limited during the period under review was 31 663 785 shares.

Financial results

The results of Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2020. The preparation of these combined results was supervised by the group finance director, Nishlan Samujh.

Ordinary dividends

An interim dividend of 211 cents per ordinary share (2019: 206 cents) was declared to shareholders registered on 6 December 2019 and was paid on 18 December 2019.

In light of regulatory guidance provided to bank's in South Africa the board has decided not to declare a final dividend resulting in a full year dividend of 211 cents per ordinary share (2019: 457 cents)

Preference dividends

Non-redeemable, non-cumulative, non-participating preference share

Preference dividend number 17 for the period 1 April 2019 to 30 September 2019, amounting to 488.20890 cents per share, was declared to shareholders holding preference shares registered on 6 December 2019 and was paid on 17 December 2019.

Preference dividend number 18 for the period 1 October 2019 to 31 March 2020, amounting to 468.29795 cents per share, was declared to shareholders holding preference shares registered on 5 June 2020 and will be paid on 15 June 2020.

Redeemable cumulative preference shares

Dividends amounting to R0.00000 (2019: R22 462 936) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretary of Investec Limited are reflected on page 118 to 121 and 127.

The names of the current directors of Investec Limited, along with their biographical details, are set out on pages 118 to 121 and 127 are incorporated into this report by reference. Changes to the composition of the board since 1 April 2019 up to date of this report are shown in the table below:

	Appointed to the board	Retired from the board
Nishlan Samujh	1 April 2019	
Laurel Bowden		8 August 2019
Cheryl Carolus		8 August 2019
Bernard Kantor		8 August 2019
Stephen Koseff		8 August 2019
Henrietta Baldock	9 August 2019	
Philisiwe Sibiya	9 August 2019	
Hendrik du Toit		16 March 2020
Kim McFarland		16 March 2020
David van der Walt	1 April 2020	4 June 2020
Ciaran Whelan	1 April 2020	

In accordance with the UK Corporate Governance Code, all of the directors will retire, and those willing to serve again will submit themselves for re-election at the annual general meeting. Ian Kantor will not stand for re-election at the 2020 annual general meeting.

The company secretary of Investec Limited is Niki van Wyk.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in Investec's 2020 integrated annual report.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's governance framework are set out on page 122.

Share incentives

Details regarding options granted during the year are set out in the Investec group's 2020 integrated annual report.

Audit committees

As allowed under the South African Companies Act and the South Africa Banks Act, the audit committee of Investec Limited performs the necessary functions required on behalf of Investec Limited and its subsidiaries.

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, operational risk, internal audit, compliance and the finance division to consider the nature, scope and quality of the audit reviews and the effectiveness of our risk and control systems.

The report to shareholders by the chairman of the audit committees can be found on page 142 to 152.

Auditors

Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

Resolutions to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2020.

Contracts

Refer to Investec's 2020 integrated annual report.

Subsidiary and associated companies

Details of principal subsidiaries and associated companies are reflected on page 242 and pages 250 to 251.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 32.

Special resolutions

At the annual general meeting held on 6 August 2019, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary shares in terms of the provisions of the South African Companies Act
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act

Accounting policies and disclosure

These policies are set out on page 188 to 198.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 43 to 110.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 194 to 195 and in note 54.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Investec Limited and its subsidiaries (the group), which comprise the balance sheet at 31 March 2020, the income statement, the statement of total comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, the accounting policies and the notes to the financial statements, as set out on pages 181 to 276 and the specified disclosures within the risk management and corporate governance report that are marked as audited.

In our opinion the consolidated financial statements of Investec Limited and its subsidiaries, for the year ended 31 March 2020 are prepared, in all material respects, in accordance with the basis of preparation described in the accounting policies to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the basis of presentation disclosed in the accounting policies to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared in accordance with the group's accounting policies for the purpose of providing financial information to the shareholders. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

- Impact of COVID-19;
- Adequacy of the allowance for expected credit losses on loans and advances to customers;
- Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans; and
- Accounting for the demerger of Investec Asset Management.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Impact of COVID-19	
Refer to the Audit Committee Report (page 145) and Note 58 of the Consolidated Financial Statements (page 276). The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. As a result of the pandemic there are significant judgements and assumptions that impact financial reporting that are required to be considered within the financial statements. The areas of our audit most impacted by COVID-19 include:	Our audit response to these areas is detailed below:
Going concern The group financial statements are prepared on the going concern basis of accounting. This basis is dependent on the group's ability to meet its liabilities as they fall due. Management are required to determine the appropriateness of preparing the financial statements on a going concern basis. The duration and impact of the COVID-19 pandemic remains highly uncertain. There is a risk that management's going concern analysis has not appropriately considered the full effect of COVID-19 on the group. Management performed an assessment of a COVID-19 impact on the going concern assumption using information available up to the date of issue of the consolidated financial statements.	**Going concern** We revisited our procedures on management's going concern assessment taking into account the known impact of COVID-19 on the nature of the group, its business model and related risks. With the support of our valuation specialists our procedures included: • Assessing the level of liquidity within the group to support ongoing requirements and the ability to refinance debt for at least the 12-month period after the approval of the financial statements; • Evaluating the reasonableness of management's adverse forecasts and associated stress testing, and its impact on the group's capital and liquidity positions; • Obtaining the reverse stress test performed by management and reviewing the assumptions used for appropriateness including the plausibility of management actions available to mitigate the impact of the reverse stress test; • Discussing the governance structure and protocols on the going concern assessment with management and the non-executive directors and corroborating our understanding against information we are aware of through the audit and by attending Audit Committee meetings where the assessment was deliberated and approved; and • Reviewing the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.
Significant judgement related to fair value Refer to the separate Key Audit Matter below. **Level 3 instruments** Refer to the separate Key Audit Matter below **Level 1 and 2 instruments** Market conditions towards the end of the financial year resulted in less liquidity, changes in credit spreads, weakened ZAR exchange rates, and greater volatility of certain level 1 and 2 financial instruments. Fair value measurements saw increased uncertainty in economic and financial forecasts in the near term, due to the difficulty in forecasting the magnitude and duration of the economic impact of COVID-19. Where there is a lack of observable, liquid market inputs, determining appropriate valuations is highly judgemental and this may result in subjective fair value movements which are material.	**Significant judgement related to fair value** Refer to the separate Key Audit Matter below. **Level 3 instruments** Refer to the separate Key Audit Matter below **Level 1 and 2 instruments** We tested the design and operating effectiveness of key controls supporting the valuation of level 1 and 2 financial instruments. In response to the risk that may arise due to remote working conditions, we increased the extent of roll-forward tests of controls. We performed a detailed examination of management's valuation methodologies for appropriateness and consistency of inputs, key assumptions and contractual obligations. As part of this assessment we also considered the appropriateness of the fair value hierarchy level within which the financial instruments had been classified. We engaged valuation specialists to assist with these procedures.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
***Impact of COVID-19** (continued)*	
Events after the reporting date COVID-19 was an evolving crisis as at the reporting date. As a result, certain judgements and estimates were made by management to determine the impact of COVID-19 on conditions that existed at the reporting date, and in concluding whether events occurring after that date were adjusting or non-adjusting events.	**Events after the reporting date** We have reviewed relevant management information, post reporting date activity, key meeting minutes and held discussions with those charged with governance. We further considered the application of the guidance issued by various regulators and standard-setting bodies. We evaluated the completeness and appropriateness of the financial statement disclosures as they pertain to events after the reporting date in relation to the impact of COVID-19.
Adequacy of the allowance for expected credit losses on loans and advances to customers	
Refer to the Audit Committee Report (page 146); Accounting policies (page 193); and Note 27 of the Consolidated Financial Statements (page 240) The appropriateness of the allowance for expected credit losses (ECL) is material and requires significant judgement and assumptions by management. The impact of COVID-19 across the group and the South African sovereign downgrades resulted in additional judgements and assumptions being applied as at 31 March 2020. There has been large-scale business disruption as a result of COVID-19 that potentially gives rise to challenges for borrowers which may have a consequential impact on ECL. To help mitigate the impact of this disruption management have seen a number of actions taken by Government, Regulators and participating banks in South Africa. At year end the group reported gross loans and advances to customers subject to Expected Credit Losses (ECL) of R282 646 million (2019: R264 182 million); ECL provisions of R3 344 million (2019: R2 691 million); and total expected credit loss impairment charges of R1 109 million (2019: R761 million). We focused on the following key areas of significant judgement and assumptions applied by management within the ECL calculations:	We have performed audit procedures on the ECL balance at 31 March 2020 and the movement in ECL over the year. To address the significant judgements and estimates we focused on the following key procedures:

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Adequacy of the allowance for expected credit losses on loans and advances to customers *(continued)*	
Assessment of ECL models ECL is determined using sophisticated modelling techniques, which consider both historical data and forward-looking information. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the model design, including the estimation of key inputs such as the exposure at default (EAD); probability of default (PD) and loss given default (LGD). Modelled ECL represents 41.8% (2019: 48.7%) of the ECL on core loans and advances.	**Assessment of ECL models** We tested the design and operating effectiveness of key controls, focusing on model governance and approvals. Where models were updated, we assessed the changes for compliance with IFRS 9 requirements and obtained audit evidence that the appropriate interpretations were reflected in the models. We involved our quantitative specialists to test assumptions and calculations used in the ECL models. This included performing an assessment of: • estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • the model design, and results for EAD, PD and LGD; • testing and sensitivity analysis of significant assumptions; • the appropriateness of the methodology, considering alternative techniques; and the programming code to verify it was consistent with the design documentation; and • testing the completeness of the historical and reporting date data used in the models by tracing a sample of data back to the source systems.
Macro-economic inputs and forward looking information Further judgement is required in incorporating macro-economic inputs and forward-looking information into the ECL models and in determining the ECL stage allocation. The incorporation of COVID-19 pandemic projections into the forward-looking information required additional judgement and assumptions on COVID-19 specific impacts, including additional review and governance processes for approval of economic scenarios.	**Macro-economic inputs and forward looking information** We tested the design and operating effectiveness of key controls over the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. Our economists evaluated the reasonableness of the base case and alternative scenarios generated, including the probability weights applied. Procedures included assessment of models and comparison to independent industry data. We involved our quantitative specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. We reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the Board Risk and Capital Committee meetings where the economic scenarios were approved.
Assessment of SICR The assessment of what constitutes a significant increase in credit risk (SICR) involves judgement and assumptions. The SICR assessment incorporated assumptions which are subjective and includes both qualitative and quantitative measures. Additional processes were introduced to determine the SICR impact of payment holidays and other COVID-19 relief measures granted by the group.	**Assessment of SICR** We tested the design and operating effectiveness of key controls over the following: • The assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage. As part of the assessment we considered management's governance process around payment holidays granted to counterparties and the potential impact during the period as a result of COVID-19; • The approval of qualitative and quantitative staging criteria; and • The assessment and governance of manual overrides to staging outcomes. We performed testing for a sample of assets in stages 1, 2 and 3, including assets granted payment holidays as a result of COVID-19, to verify they were included in the appropriate stage based on criteria established by the group. Procedures included an independent recalculation of management's assessment against the requirements of IFRS 9, reasonability of changes in credit risk for certain portfolios and sensitivity analyses on impact of change in credit risk on ECL.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Adequacy of the allowance for expected credit losses on loans and advances to customers *(continued)*	
Post model adjustments Post model ECL adjustments are subject to further judgement and assumptions, which are made as a result of the impact of COVID-19. A post model adjustment was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient.	**Post model adjustments** Due to the judgemental nature of the decision to introduce an ECL overlay, we focused our assessment on the appropriateness of the governance, approvals and reasonability of the adjustment. Our procedures included the reperformance of management's overlay calculation and assessment of the reasonableness of management assumptions against independent sources. We also performed sensitivity analyses on related portfolios.
ECL measurement for Stage 3 individually determined impairment exposures Impairment allowances are determined on a case by case basis for certain individual financial assets. Significant estimates, judgements and assumptions have been applied by management in their assessment of the ECL of the individual financial assets, including recoverability estimates, evaluating the adequacy and accessibility of collateral, estimates of exit values and determining the expected timing and amount of future cash flows. Individually assessed provisions represent 52.5% (2019: 51.3%) of ECL on core loans and advances.	**ECL measurement for Stage 3 individually determined impairment exposures** We tested the design and operating effectiveness of key management processes and controls over the following: • The calculation of the provision, including the timing of collateral valuations, work out strategies and annual credit reviews; • Estimation of the amount and timing of future cash flows, including the assessment and probability weighting assigned to alternative scenarios, where applicable; and • Approval of the final provision made by management's impairment decision committee. Where work out strategies require additional funding to execute, we obtained evidence of the approval for such funding through the group's risk management governance process and assessed the track record of management in approving the utilisation of the additional funding. We also selected a sample of loans to recalculate the ECL with the involvement of our quantitative specialists, where appropriate. Our selection criteria was updated to consider exposures in sectors we deem vulnerable to COVID-19, including aviation, gambling and hospitality, retail and real estate. For each item selected we compared management's assessment to our independent view on the exit price or collateral valuations, assumptions on expected cash flows and overall exit strategies. **Disclosures** Our testing focused on: • The adequacy of the disclosure and the impact of COVID-19 on the ECL; • Financial statement close process used to record the ECL journal entries; • IT controls over the completeness and accuracy of the data inputs for ECL; • Agreeing disclosures made back to source systems tested; • Reconciliations between finance and risk systems; and • Design and approval of the disclosures to meet IFRS requirements.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans	
Refer to the Audit Committee Report (page 146); Accounting policies (page 191); Note 15 and Note 33 of the Consolidated Financial Statements (page 224 and 245 respectively) There are R166 852 million (2019: R290 008 million) of financial assets that are required to be fair valued under IFRS 9 and 13 accounting frameworks. For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans, unlisted investments or large bespoke derivative structures there is an increased degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental. This may result in subjective fair value movements could be material.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken.
Unlisted investment portfolio Significant judgement is required by management due to the absence of verifiable third party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. The level of risk has increased from the prior year as a result of the impact of COVID-19 on market conditions, including the lack of liquidity for certain asset classes. **Fair value loans** The portfolios within level 3 of the fair value hierarchy with the greatest valuation uncertainty, which therefore required the most significant accounting judgements and thus audit effort, are those based on the underlying fair value of properties, aircraft loans and Southern African mining assets.	**Unlisted investment portfolio and fair value loans** We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. Where such inputs and assumptions were not observable in the market we engaged our valuation specialists to critically assess if the inputs and assumptions fell within an acceptable range, based on their independent review, industry knowledge and experience of the market. As a result of COVID-19 the extent of our use of specialists has increased year on year. Additional procedures performed on the Southern African mining assets and property valuations included: • Performing a site visit during the year to inspect key assets and meeting with key management and Board members of the investee; • Engaging our valuations specialists to perform an independent valuation model in addition to assessing the key inputs and assumptions applied by management. In building the independent valuation models considering alternative inputs and assumptions to those used by management; • Performing a sensitivity analysis on material inputs; • Challenging management to produce new valuation models that were responsive to what they considered to be the range of reasonably likely outcomes; and • Obtaining audit evidence via legal confirmations from external counsel in order to assess the enforceability of collateral held.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans *(continued)*	
Investment property valuations The group's investment properties, including those classified as held-for-sale, and measured at fair value amount to R19 137 million (2019: R18 425 million). We considered the valuation of the investment properties to be an area of focus to the subjective nature of the valuation assumptions. These are further compounded by the uncertain market conditions arising due to the COVID-19 pandemic and impact of lockdown.	**Investment property valuations** Our procedures included the following: • Assessing the reasonableness of management's final valuations of properties by comparing these to recalculated valuations using assumptions from independent sources and inputs from supporting documentation. Determining whether management's values, compared to our independent valuations, are within reasonable ranges; • Applying a wider range of sensitivities to account for the uncertainty arising from the current economic outlook as a result of the COVID-19 pandemic; • Evaluating the objectivity, independence and competence of the internal and external appraisers; • In conjunction with our property valuation specialists, assessing the valuation methodology used by management, the external appraisers and internal appraisers and comparing to industry benchmarks; and • Reviewing the disclosures for compliance with the requirements of IAS 40 Investment Properties, IFRS 5 *Non-current Assets Held For Sale* and IFRS 13 *Fair Value Measurement.*
Accounting for the demerger of Investec Asset Management	
Refer to the Audit Committee Report (page 145); Accounting policies (page 189); and Note 36 of the Consolidated Financial Statements (page 248) On 13 March 2020, the group completed the demerger of its asset management business, which was separately listed as Ninety One on 16 March 2020. The results of the asset management business to 13 March 2020 have been consolidated into the group's results and reflected as profit after tax from discontinued operations. From the 16 March 2020, the investment in Ninety One has been accounted for as a financial instrument at fair value through other comprehensive income. At the date of the demerger management was required to perform a fair value assessment of the value of Investec Asset Management prior to the listing of Ninety One. The gain on the distribution of Ninety One shares net of taxation and implementation costs R5 603 million. Due to the complexity of the accounting treatment this has been raised as a Key Audit Matter.	Our procedures included the following: • Considering management's accounting papers outlining the accounting treatment applied to the investment at the balance sheet date; • Considering the governance and approval processes for executing the transaction and underlying reorganisations and distributions; • Assessing management's tax treatment applied to the transaction; • Testing specific account balances to address the risk relating to the recognition of earnings before the demerger date, and the subsequent recognition of the investment held at fair value through other comprehensive income; • With the involvement of our valuation specialists assessing management's valuation used in the calculation of the gain on loss of control of Ninety One; and • Assessing the appropriateness and adequacy of the disclosure in relation to the demerger.

Other matter

The group has separately prepared a combined consolidated set of financial statements for the year ended 31 March 2020 incorporating Investec Plc and its subsidiaries in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008 on which separate auditors' reports to the shareholders of Investec Limited and Investec Plc have been issued on 16 June 2020.

Other Information

The directors are responsible for the other information. The other information comprises the Declaration by the company secretary, the Directors' report and the Audit committee's report, included in the Corporate governance report, as required by the Companies Act of South Africa and all information included in the Annual Report that is not marked as audited. Other information does not include the consolidated financial statements, the sections marked as audited in the annual report and our auditors' report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and presentation of the consolidated financial statements in accordance with the basis of presentation described in the accounting policies to the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Limited for 45 and 26 years, respectively.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director

16 June 2020

KPMG Inc

KPMG Inc.
Registered Auditor

Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

16 June 2020

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Investec Limited (the company), which comprise the balance sheet at 31 March 2020, income statement, the statement of total comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the accounting policies and the notes to the financial statements, as set out on pages 181 to 276 and the specified disclosures within the risk management and corporate governance report that are marked as audited.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Investec Limited at 31 March 2020, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of the report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the Declaration by the company secretary, the Directors' Report and the Audit committee's report, included in the Corporate governance report, as required by the Companies Act of South Africa and all information included in the Annual Report that is not marked as audited. Other information does not include the separate financial statements, the sections marked as audited in the annual report and our auditors' report thereon.

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

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

Responsibilities of Directors for the Separate Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Limited for 45 and 26 years respectively.

Ernst & Young Inc.

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Registered Auditor

Per Gail Moshoeshoe
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Registered Auditor
Director

16 June 2020

KPMG Inc

KPMG Inc.
Registered Auditor

Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

16 June 2020

For the year to 31 March R'million	Notes	Group 2020	Group 2019*	Company 2020	Company 2019
Interest income	2	35 949	34 007	117	163
Interest income calculated using effective interest rate		32 683	31 890	117	163
Other interest income		3 266	2 117	–	–
Interest expense	2	(27 394)	(26 229)	(202)	(180)
Net interest income/(expense)		**8 555**	**7 778**	**(85)**	**(17)**
Fee and commission income	3	6 460	6 055	–	–
Fee and commission expense	3	(645)	(541)	–	–
Investment income	4	512	240	3 152	2 151
Share of post taxation profit of associates and joint venture holdings	29	311	1 163	–	–
Trading income/(loss) arising from					
– customer flow		197	613	–	–
– balance sheet management and other trading liabilities		544	420	(19)	(5)
Other operating income	5	5	11	–	–
Total operating income before expected credit loss impairment charges		**15 939**	**15 739**	**3 048**	**2 129**
Expected credit loss impairment charges	6	(1 109)	(761)	–	–
Operating income		**14 830**	**14 978**	**3 048**	**2 129**
Operating costs	7	(8 307)	(8 136)	(18)	(100)
Operating profit before goodwill and acquired intangibles		**6 523**	**6 842**	**3 030**	**2 029**
Impairment of goodwill	34	(3)	(3)	–	–
Amortisation of acquired intangibles	35	(51)	(51)	–	–
Impairment of associates and joint venture holdings	29	(937)	–	–	–
Operating profit		**5 532**	**6 788**	**3 030**	**2 029**
Gain on partial disposal of subsidiary and implementation costs		–	4	(405)	357
Profit before taxation from continuing operations		**5 532**	**6 792**	**2 625**	**2 386**
Taxation on operating profit before acquired intangibles	9	(1 042)	(337)	60	(30)
Taxation on acquired intangibles	9	14	18	–	–
Profit after taxation from continuing operations		**4 504**	**6 473**	**2 685**	**2 356**
Profit after taxation from discontinued operations		6 674	925	–	–
Profit after taxation		**11 178**	**7 398**	**2 685**	**2 356**
Profit attributable to other non-controlling interests	48	(1 258)	(1 049)	–	–
Profit attributable to non-controlling interests of discontinued operations	36	(210)	(176)	–	–
Earnings attributable to shareholders		**9 710**	**6 173**	**2 685**	**2 356**

* *The year to 31 March 2019 has been re-presented to reflect the discontinued operations (refer to note 36).*

STATEMENTS OF TOTAL COMPREHENSIVE INCOME

	Group		Company	
For the year to 31 March **R'million**	**2020**	2019*	**2020**	2019
Profit after taxation from continuing operations	4 504	6 473	2 685	2 356
Other comprehensive income from continuing operations:				
Items that may be reclassified to the income statement				
Fair value movements on cash flow hedges taken directly to other comprehensive income	(619)	62	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(1 888)	(201)	–	–
Gain on realisation of debt instruments at FVOCI recycled through the income statement	(79)	(89)	–	–
Foreign currency adjustments on translating foreign operations	1 366	958	–	–
Items that will never be reclassified to the income statement				
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	138	–	(159)	(51)
Gain attributable to own credit risk	1	1	–	–
Total comprehensive income from continuing operations	**3 423**	**7 204**	**2 526**	**2 305**
Total comprehensive income attributable to ordinary shareholders from continuing operations	1 663	5 666	2 167	1 946
Total comprehensive income attributable to non-controlling interests from continuing operations	1 258	1 049	–	–
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders from continuing operations	502	489	359	359
Total comprehensive income from continuing operations	**3 423**	**7 204**	**2 526**	**2 305**
Profit after taxation from discontinued operations	6 674	925	–	–
Other comprehensive income from discontinued operations:				
Items that may be reclassified to the income statement				
Foreign currency adjustments on translating foreign operations	4	1	–	–
Total comprehensive income from discontinued operations	**6 678**	**926**	**–**	**–**
Total comprehensive income attributable to ordinary shareholders from discontinuing operations	6 468	750	–	–
Total comprehensive income attributable to non-controlling interests from discontinuing operations	210	176	–	–
Total comprehensive income from discontinued operations	**6 678**	**926**	**–**	**–**
Profit after taxation	11 178	7 398	2 685	2 356
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	(619)	62	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(1 888)	(201)	–	–
Gain on realisation of FVOCI recycled through the income statement	(79)	(89)	–	–
Foreign currency adjustments on translating foreign operations	1 370	959	–	–
Items that will never be reclassified to the income statement				
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	138	–	(159)	(51)
Gain attributable to own credit risk	1	1	–	–
Total comprehensive income	**10 101**	**8 130**	**2 526**	**2 305**
Total comprehensive income attributable to ordinary shareholders	8 131	6 416	2 167	1 946
Total comprehensive income attributable to non-controlling interests	1 468	1 225	–	–
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	502	489	359	359
Total comprehensive income	**10 101**	**8 130**	**2 526**	**2 305**

* *The year to 31 March 2019 has been re-presented to reflect the discontinued operations (refer to note 36).*

At 31 March R'million	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Assets					
Cash and balances at central banks	18	36 656	10 290	–	–
Loans and advances to banks	19	19 536	22 125	20	18
Non-sovereign and non-bank cash placements		14 014	12 192	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	20	29 626	21 346	–	–
Sovereign debt securities	21	64 358	60 893	–	–
Bank debt securities	22	12 265	12 502	350	350
Other debt securities	23	17 337	13 580	–	–
Derivative financial instruments	24	17 431	7 736	–	–
Securities arising from trading activities	25	10 366	20 079	–	–
Investment portfolio	26	16 564	10 070	147	309
Loans and advances to customers	27	281 686	263 537	–	–
Own originated loans and advances to customers securitised	28	7 192	7 667	–	–
Other loans and advances	27	242	329	–	–
Other securitised assets	28	497	294	–	–
Interests in associated undertakings and joint venture holdings	29	6 924	6 284	–	–
Deferred taxation assets	30	2 996	1 890	106	–
Other assets	31	12 845	14 281	25	35
Property and equipment	32	3 093	3 043	–	–
Investment properties	33	19 137	18 425	–	–
Goodwill	34	219	211	–	–
Intangible assets	35	318	418	–	–
Investment in subsidiaries	37	–	–	19 603	16 997
Non-current assets held for sale	33	1 305	–	–	–
		574 607	**507 192**	**20 251**	**17 709**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	38	780	154 477	–	–
		575 387	**661 669**	**20 251**	**17 709**
Liabilities					
Deposits by banks		46 833	31 735	–	–
Derivative financial instruments	24	22 469	11 111	–	–
Other trading liabilities	39	8 660	11 132	–	–
Repurchase agreements and cash collateral on securities lent	20	26 626	15 234	–	–
Customer accounts (deposits)		375 456	341 578	–	–
Debt securities in issue	40	7 634	12 328	319	319
Liabilities arising on securitisation of own originated loans and advances	28	1 699	1 720	–	–
Current taxation liabilities		541	574	53	10
Deferred taxation liabilities	30	517	54	–	–
Other liabilities	41	13 114	10 254	1 531	865
		503 549	**435 720**	**1 903**	**1 194**
Liabilities to customers under investment contracts	38	727	154 422	–	–
Insurance liabilities, including unit-linked liabilities	38	53	55	–	–
		504 329	**590 197**	**1 903**	**1 194**
Subordinated liabilities	42	14 383	15 857	2 346	1 939
		518 712	**606 054**	**4 249**	**3 133**
Equity					
Ordinary share capital	43	1	1	1	1
Share premium	45	9 296	13 576	8 877	13 627
Treasury shares	46	(2 992)	(1 881)	–	–
Other reserves		903	2 055	(107)	52
Retained income		35 878	29 398	6 331	(4)
Shareholders' equity excluding non-controlling interests		**43 086**	**43 149**	**15 102**	**13 676**
Other Additional Tier 1 securities in issue	47	1 010	1 010	900	900
Non-controlling interests	48	12 579	11 456	–	–
– Perpetual preferred securities issued by subsidiaries		1 534	1 534	–	–
– Non-controlling interests in partially held subsidiaries		11 045	9 922	–	–
Total equity		**56 675**	**55 615**	**16 002**	**14 576**
Total liabilities and equity		**575 387**	**661 669**	**20 251**	**17 709**

R'million	Ordinary share capital	Share premium	Treasury shares
Group			
At 1 April 2018	**1**	**12 820**	**(1 552)**
Movement in reserves 1 April 2018 – 31 March 2019			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–
Gain on realisation of FVOCI recycled through the income statement	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gain attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Issue of ordinary shares	–	756	–
Issue of other Additional Tier 1 security instruments	–	–	–
Net equity movements in interests in associated undertakings	–	–	–
Movement of treasury shares	–	–	(1 119)
Share-based payments adjustments	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	790
Transfer from regulatory general risk reserves	–	–	–
Acquisition of subsidiary	–	–	–
Partial disposal of group operations	–	–	–
Issue of equity by subsidiaries	–	–	–
Transfer from retained income to non-controlling interests	–	–	–
Dividends declared to other equity holders including other Additional Tier 1 securities	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to non-controlling interests	–	–	–
At 1 April 2019	**1**	**13 576**	**(1 881)**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–
Gain on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gain attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Net equity movements in interests in associated undertakings	–	–	–
Movement of treasury shares	–	–	(1 460)
Share-based payments adjustments	–	–	–
Employee benefit liability recognised	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	349
Transfer from regulatory general risk reserves	–	–	–
Disposal of group operations	–	–	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Dividends declared to other equity holders including other Additional Tier 1 securities	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to non-controlling interests	–	–	–
Distribution on demerger	–	(4 280)	–
At 31 March 2020	**1**	**9 296**	**(2 992)**

Other reserves										
Capital reserve account	Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
61	**380**	**627**	**(993)**	**24**	**1 086**	**25 994**	**38 448**	**900**	**11 037**	**50 385**
–	–	–	–	–	–	6 173	6 173	–	1 225	7 398
–	–	–	62	–	–	–	62	–	–	62
–	(201)	–	–	–	–	–	(201)	–	–	(201)
–	(89)	–	–	–	–	–	(89)	–	–	(89)
–	–	–	–	–	959	–	959	–	–	959
–	–	–	–	1	–	–	1	–	–	1
–	**(290)**	**–**	**62**	**1**	**959**	**6 173**	**6 905**	**–**	**1 225**	**8 130**
–	–	–	–	–	–	–	756	–	–	756
–	–	–	–	–	–	–	–	110	–	110
–	–	–	–	–	–	(109)	(109)	–	–	(109)
–	–	–	–	–	–	–	(1 119)	–	–	(1 119)
–	–	–	–	–	–	776	776	–	–	776
–	–	–	–	–	–	(790)	–	–	–	–
–	–	138	–	–	–	(136)	2	–	–	2
–	–	–	–	–	–	–	–	–	(2)	(2)
–	–	–	–	–	–	320	320	–	39	359
–	–	–	–	–	–	–	–	–	81	81
–	–	–	–	–	–	(13)	(13)	–	13	–
–	–	–	–	–	–	(489)	(489)	105	130	(254)
–	–	–	–	–	–	–	–	(105)	(130)	(235)
–	–	–	–	–	–	(2 328)	(2 328)	–	–	(2 328)
–	–	–	–	–	–	–	–	–	(937)	(937)
61	**90**	**765**	**(931)**	**25**	**2 045**	**29 398**	**43 149**	**1 010**	**11 456**	**55 615**
–	–	–	–	–	–	9 710	9 710	–	1 468	11 178
–	–	–	(619)	–	–	–	(619)	–	–	(619)
–	(1 888)	–	–	–	–	–	(1 888)	–	–	(1 888)
–	(79)	–	–	–	–	–	(79)	–	–	(79)
–	138	–	–	–	–	–	138	–	–	138
–	–	–	–	–	1 370	–	1 370	–	–	1 370
–	–	–	–	1	–	–	1	–	–	1
–	**(1 829)**	**–**	**(619)**	**1**	**1 370**	**9 710**	**8 633**	**–**	**1 468**	**10 101**
–	–	–	–	–	–	(44)	(44)	–	–	(44)
–	–	–	–	–	–	–	(1 460)	–	–	(1 460)
–	–	–	–	–	–	592	592	–	–	592
–	–	–	–	–	–	(156)	(156)	–	–	(156)
–	–	–	–	–	–	(349)	–	–	–	–
–	–	(75)	–	–	–	75	–	–	–	–
–	–	–	–	–	–	–	–	–	(221)	(221)
–	–	–	–	–	–	(91)	(91)	–	960	869
–	–	–	–	–	–	(502)	(502)	117	131	(254)
–	–	–	–	–	–	–	–	(117)	(131)	(248)
–	–	–	–	–	–	(2 755)	(2 755)	–	–	(2 755)
–	–	–	–	–	–	–	–	–	(1 084)	(1 084)
–	–	–	–	–	–	–	(4 280)	–	–	(4 280)
61	**(1 739)**	**690**	**(1 550)**	**26**	**3 415**	**35 878**	**43 086**	**1 010**	**12 579**	**56 675**

R'million	Ordinary share capital	Share premium	Other reserves: Capital reserve account	Other reserves: Fair value reserve	Retained income	Other Additional Tier 1 securities in issue	**Total equity**
Company							
At 1 April 2018	**1**	**12 870**	**62**	**41**	**907**	**900**	**14 781**
Movement in reserves 1 April 2018 – 31 March 2019							
Profit after taxation	–	–	–	–	2 356	–	2 356
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	–	–	–	(51)	–	–	(51)
Total comprehensive income for the year	**–**	**–**	**–**	**(51)**	**2 356**	**–**	**2 305**
Issue of ordinary shares	–	757	–	–	–	–	757
Share-based payments adjustments	–	–	–	–	(540)	–	(540)
Dividends paid to ordinary shareholders	–	–	–	–	(2 368)	–	(2 368)
Dividends declared to perpetual preference shareholders including Other Additional Tier 1 security holders	–	–	–	–	(359)	105	(254)
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	(105)	(105)
At 1 April 2019	**1**	**13 627**	**62**	**(10)**	**(4)**	**900**	**14 576**
Movement in reserves 1 April 2019 – 31 March 2020							
Profit after taxation	–	–	–	–	2 685	–	2 685
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	–	–	–	(159)	–	–	(159)
Total comprehensive income for the year	**–**	**–**	**–**	**(159)**	**2 685**	**–**	**2 526**
Capital contribution to parent	–	–	–	–	7 090	–	7 090
Share-based payments adjustments	–	–	–	–	(288)	–	(288)
Employee benefit liability recognised	–	–	–	–	(8)	–	(8)
Dividends paid to ordinary shareholders	–	–	–	–	(2 785)	–	(2 785)
Dividends declared to perpetual preference shareholders including Other Additional Tier 1 security holders	–	–	–	–	(359)	117	(242)
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	(117)	(117)
Distribution on demerger	–	(4 750)	–	–	–	–	(4 750)
At 31 March 2020	**1**	**8 877**	**62**	**(169)**	**6 331**	**900**	**16 002**

At 31 March R'million	Notes	Group 2020	Group 2019*	Company 2020	Company 2019
Cash flows from operating activities					
Operating profit adjusted for non-cash items	50	10 663	9 301	3 030	2 029
Taxation paid		(1 526)	(941)	(3)	(63)
Increase in operating assets	50	(44 072)	(36 649)	13	12
Increase in operating liabilities	50	72 239	38 269	658	98
Net cash inflow from operating activities		**37 304**	**9 980**	**3 698**	**2 076**
Cash flows from investing activities					
Cash flow on net increase in associates		(909)	(15)	–	–
Cash flow on acquisition of property, equipment and intangible assets		(323)	(2 704)	–	–
Cash flow on disposal of property, equipment and intangible assets		92	77	–	–
Derecognition of cash on disposal of subsidiary and implementation costs	36	(1 686)	–	(405)	357
Cash flow on investment in subsidiary		–	–	(1 281)	(500)
Decrease/(increase) in loans to group companies		–	–	1 134	(38)
Net cash outflow from investing activities		**(2 826)**	**(2 642)**	**(552)**	**(181)**
Cash flows from financing activities					
Dividends paid to ordinary shareholders		(2 755)	(2 328)	(2 785)	(2 368)
Dividends paid to other equity holders		(1 586)	(1 426)	(359)	(359)
Proceeds on issue of shares, net of issue costs		–	756	–	757
Sale of shares to non-controlling interests		–	359	–	–
Cash flow on net acquisition of treasury shares, net of related costs		(1 460)	(1 119)	–	–
Issue of shares to non-controlling interests		869	81	–	–
Proceeds on subordinated debt raised	42	–	849	–	–
Repayment of subordinated debt	42	(3 175)	(1 210)	–	–
Proceeds on issue of Other Additional Tier 1 securities in issue		–	110	–	–
Lease liabilities paid		(39)	–	–	–
Net cash outflow from financing activities		**(8 146)**	**(3 928)**	**(3 144)**	**(1 970)**
Effects of exchange rates on cash and cash equivalents		**1 097**	**1 188**	**–**	**–**
Net increase/(decrease) in cash and cash equivalents		**27 429**	**4 598**	**2**	**(75)**
Cash and cash equivalents at the beginning of the year		32 958	28 360	18	93
Cash and cash equivalents at the end of the year		**60 387**	**32 958**	**20**	**18**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		36 656	10 290	–	–
On demand loans and advances to banks		9 681	10 451	20	18
Non-sovereign and non-bank cash placements		14 014	12 192	–	–
Expected credit loss on cash and cash equivalents		36	25	–	–
Cash and cash equivalents at the end of the year		**60 387**	**32 958**	**20**	**18**

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

Cash flows from discontinued operations

Cash inflows from operating activities of R1.4 billion (2019: R999 million), cash outflows from investing activities of R94.0 million (2019: R36.0 million) and cash outflows from financing activities of R1.5 billion (2019: R1.1billion) were incurred in the year relating to discontinued operations. Cash flows from discontinued operations have been included in the consolidated statement of cash flow above.

Basis of presentation

Under the contractual arrangements implementing the dual listed companies (DLC) structure, Investec Limited and Investec plc, the latter a company incorporated in the United Kingdom, effectively form a single economic enterprise in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards (IFRS) is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined consolidated financial statements have been separately prepared and issued on 16 June 2020.

The Companies Act of South Africa does not specifically envisage a reporting structure such as the DLC structure. The combined consolidated financial statements of Investec Limited and Investec plc are considered the statutory financial statements of Investec Limited and Investec plc. The attached group financial statements of Investec Limited are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the absence of a DLC structure, and are prepared in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the DLC structure, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement and prepared for the purpose of providing financial information to the shareholders. The company financial statements have been prepared in accordance with IFRS and the Companies Act of South Africa. For an understanding of the financial position, results and cash flows of the Investec DLC structure, the user is referred to the combined consolidated financial statements of Investec Limited and Investec plc.

As stated on page 167, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

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

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

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

The implementation and impact of IFRS 16 is included on page 276. As permitted by IFRS 16, the group has applied a modified retrospective basis and therefore comparative information has not been restated.

In addition to the changes noted above, IFRS 9, IAS 39 and IFRS 7 are all currently being reviewed as a result of planned reforms to interest rate benchmarks.

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

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

The IFRS amendments include reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform by allowing entities to assume the benchmark interest rate is not altered as a result of IBOR reform. Following endorsement of the amendments by the EU in January 2020, the group has elected to early adopt the interest rate benchmark reform amendments for the current period. The amendments would have otherwise taken mandatory effect for accounting periods starting on or after 1 January 2020. This election reduces the effects of any uncertainty arising from IBOR reform on the current period's financial statements. Had it not made this election, the group would have been required to further assess the effect of uncertainty arising from IBOR reform on its existing hedge relationships, potentially resulting in discontinuation of hedge relationships. The amendments are applied retrospectively to all designated hedge relationships that were either in force as of the start of the reporting period or designated subsequently.

The amendments and allow the group to assume that the interest rate benchmark on which the cash flows of the hedged item and/or hedging instrument are based is not altered by IBOR reform for the purposes of fair value hedge accounting. Progress on the transition to RFR is being monitored, with the objective of ensuring a smooth transition for the group's hedge accounting relationships.

The group expects that the IASB will issue further amendments to these standards concerning the potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative RFR.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report and corporate governance sections on pages 43 to 110.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report in Investec group's 2020 integrated annual report.

Basis of consolidation

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

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

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

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

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

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

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

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

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

Investments in subsidiaries (including loan advances to subsidiaries) are accounted for at cost less impairment losses in the company financial statements.

All intergroup balances, transactions and unrealised gains or losses within the group, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

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

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely Asset Management (until the demerger discussed in note 36), Wealth & Investment and Specialist Banking.

Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group.

For further detail on the group's segmental reporting basis refer to pages 9 to 10.

Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Additional disclosures are provided in note 36. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance

with IFRS 9 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees.

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

All entities of the group account for any share-based payment recharge costs allocated to equity in the period during which it is levied in their separate financial statements. Any excess over and above the recognised share-based payment expense is accounted for as an expense in the income statement. This cost is presented with the share-based payment expense in note 8.

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

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

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

Employee benefits

The group operates various defined contribution schemes.

All employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post-retirement benefits.

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

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

Foreign currency transactions and foreign operations

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

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

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise based on rates of exchange ruling at the date of the transactions. At each balance sheet date, foreign currency items are translated as follows:

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

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

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

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

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

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

The effective interest rate method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at FVPL is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management and includes rental income from investment properties. Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

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

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

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

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

Trading profit is shown net of the funding costs of the underlying positions and includes the unrealised profit on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

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

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which are included in investment income), operating lease income, income from interests in associated undertakings and joint venture holdings and income from assurance activities.

Rewards programme

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

Fair value measurement

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

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Business model assessment

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

The standard sets out different types of business models:

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

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

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

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

Solely payment of principal and interest (SPPI)

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

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

Financial assets and liabilities measured at amortised cost

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

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

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

Financial assets measured at fair value through other comprehensive income (FVOCI)

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

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

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

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

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

Financial assets where 12-month ECL is recognised are considered to be 'stage 1', financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2', and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

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

Financial assets and liabilities held at fair value through profit or loss

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

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

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

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

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

Securitisation/credit investment and trading activities exposures

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

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

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

Day one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities

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

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

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

Derivative instruments

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

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

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

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

Hedge accounting

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

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

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

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

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income arising from balance sheet management and other trading activities.

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

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in the foreign

currency translation reserve in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

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

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

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

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

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

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

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

Sale and repurchase agreements (including securities borrowing and lending)

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

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

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

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

Financial guarantees

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

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the group is the lessor and included in liabilities where the group is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to the income statement in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals (if any) are accrued to the income statement when incurred.

Property and equipment

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

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

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

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

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

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

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

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

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

Investment properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or losses recognised in the income statement in 'investment income'. Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Leases

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of the date, discounted using the group's incremental borrowing rate. The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

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

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

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

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

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

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

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

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

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

Trading properties

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

Intangible assets

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

Impairment of non-financial assets

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

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

Non-current assets held for sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

Trust and fiduciary activities

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

Taxation and deferred taxation

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

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

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

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

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

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations issued but not yet effective

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

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 is effective from 1 January 2023, and the group is considering its impact. All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

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

The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on pages 54 to 56, pages 224 to 231 and on page 276. Additional information regarding the impact and the assumptions applied can be seen in the risk section and the annual financial statements.

- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity

of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 15.

Details of unlisted investments can be found in note 26 with further risk analysis contained in the risk management section on pages 75 to 77.

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios.

More detail relating to the methodology, judgements and estimates and results of the group's assessment of ECLs can be found on pages 51 to 53. Refer to pages 67 to 69 of the risk management section for further analysis on impairments.

- Valuation of investment properties is performed twice annually by directors who are qualified valuators and at least half of the portfolio is valued by independent external valuers annually. The valuation is performed by capitalising the budget net income of the property at the market-related yield applicable at the time. Properties in Investec Property Fund are valued according to the JSE Listings Requirements;
- As part of the demerger of Investec Asset Management (IAM), management had to determine the fair value of the portion of the investment in IAM distributed to shareholders and the fair value of the portion retained. This valuation was performed by an independent external valuation expert by applying four different valuation techniques to determine an accepted value range. This range was further compared to expected values published in external analyst reports.

Refer to note 33 for the carrying value of investment property with further analysis contained in the risk management section on pages 75 to 77.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

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

  – the current status of tax audits and enquiries;
  – the current status of discussions and negotiations with the relevant tax authorities;
  – the results of any previous claims; and
  – any changes to the relevant tax environments.
- Management assesses the degree of control or influence the group has over certain investments in terms of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. In the case of the IEP Group, this is considered to be an area of significant judgement. We have concluded that we do not control IEP based on the decision making structure within the entity, our percentage holding, the number and involved nature of other shareholders and our historic experience of our power over the relevant activities.
- Management critically evaluated the equity accounted value of the group's investment in the IEP Group (IEP) and as a result recognised an impairment of R937 million in the current year. The recoverable amount of the investment in IEP was determined to be the value-in-use. This was calculated by determining Investec's stake of the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations.
- The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

1. Consolidated segmental analysis

For the year to 31 March R'million	Wealth & Investment	Specialist Banking	Group costs	Total
Group				
2020				
Net interest income	72	8 483	–	8 555
Net fee and commission income	1 582	4 233	–	5 815
Investment income	(3)	515	–	512
Share of post taxation profit of associates and joint venture holdings	–	311	–	311
Trading income/(loss) arising from				
– customer flow	(3)	200	–	197
– balance sheet management and other trading activities	(1)	545	–	544
Other operating income	–	5	–	5
Total operating income before expected credit losses	**1 647**	**14 292**	**–**	**15 939**
Expected credit loss impairment charges	–	(1 109)	–	(1 109)
Operating income	**1 647**	**13 183**	**–**	**14 830**
Operating costs	(1 146)	(6 826)	(335)	(8 307)
Operating profit before goodwill and acquired intangibles	**501**	**6 357**	**(335)**	**6 523**
Profit attributable to non-controlling interests	–	(1 258)	–	(1 258)
Adjusted operating profit from continuing operations	**501**	**5 099**	**(335)**	**5 265**
Operating profit from discontinued operations				1 270
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**501**	**5 099**	**(335)**	**6 535**
Cost to income ratio	69.6%	52.4%	n/a	56.6%
Total assets (R'million)	7 424	567 963	–	575 387

1. Consolidated segmental analysis *(continued)*

For the year to 31 March R'million	Wealth & Investment	Specialist Banking	Group costs	Total
Group				
2019*				
Net interest income	91	7 687	–	7 778
Net fee and commission income	1 427	4 087	–	5 514
Investment income	5	235	–	240
Share of post taxation profit of associates and joint venture holdings	–	1 163	–	1 163
Trading income arising from				
– customer flow	1	612	–	613
– balance sheet management and other trading activities	1	419	–	420
Other operating income	–	11	–	11
Total operating income before expected credit losses	**1 525**	**14 214**	**–**	**15 739**
Expected credit loss impairment charges	–	(761)	–	(761)
Operating income	**1 525**	**13 453**	**–**	**14 978**
Operating costs	(1 052)	(6 817)	(267)	(8 136)
Operating profit before goodwill and acquired intangibles	**473**	**6 636**	**(267)**	**6 842**
Profit attributable to non-controlling interests	–	(1 049)	–	(1 049)
Adjusted operating profit from continuing operations	**473**	**5 587**	**(267)**	**5 793**
Operating profit from discontinued operations				1 119
Operating profit before goodwill, acquired intangibles, gain on partial disposal of subsidiary and after non-controlling interests	**473**	**5 587**	**(267)**	**6 912**
Cost to income ratio	69.0%	51.8%	n/a	55.4%
Total assets (R'million)	9 577	495 787	–	505 364

* *The year to 31 March 2019 has been re-presented to reflect the discontinued operations.*

Included in operating profit before goodwill, acquired intangibles, gain on partial disposal of subsidiary and after non-controlling interests is R143 million (2019: R481 million) related to Investment activities.

The company's activities mainly comprise central funding activities within the Specialist Banking segment.

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide the information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is centrally held. No geographical analysis has been presented as the group only operates in one geographical segment, namely Southern Africa.

2. Net interest income

This note analyses net interest income from the group's continuing operations.

		Group				Company			
		2020		2019		2020		2019	
For the year to 31 March R'million	Notes	**Balance sheet value**	**Interest income**	Balance sheet value	Interest income	**Balance sheet value**	**Interest income**	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	176 455	7 961	139 348	7 614	370	45	368	50
Loans and advances	2	288 878	26 645	271 204	24 542	–	–	–	–
Private Client		196 039	18 538	173 299	16 985	–	–	–	–
Corporate, institutional and other clients		92 839	8 107	97 905	7 557	–	–	–	–
Other debt securities and other loans and advances		17 579	812	13 909	883	–	–	–	–
Other interest-earning assets	3	497	531	2 915	968	283	72	1 416	113
Total interest-earning assets		**483 409**	**35 949**	**427 376**	**34 007**	**653**	**117**	**1 784**	**163**

		Group				Company			
		2020		2019		2020		2019	
For the year to 31 March R'million	Notes	**Balance sheet value**	**Interest expense**	Balance sheet value	Interest expense	**Balance sheet value**	**Interest expense**	Balance sheet value	Interest expense
Deposits by banks and other debt related securities	4	81 093	(2 511)	59 297	(2 530)	319	–	319	(21)
Customer accounts (deposits)		375 456	(23 337)	341 578	(22 035)	–	–	–	–
Other interest-bearing liabilities	5	1 699	(356)	1 720	(429)	–	(51)	–	(12)
Subordinated liabilities		14 383	(1 171)	15 857	(1 235)	2 346	(151)	1 939	(147)
Lease liabilities^		228	(19)	–	–	–	–	–	–
Total interest-bearing liabilities		**472 859**	**(27 394)**	**418 452**	**(26 229)**	**2 665**	**(202)**	**2 258**	**(180)**
Net interest income/ (expense)			**8 555**		**7 778**		**(85)**		**(17)**
Net interest margin			**1.88% ***		**1.88% ***		**(6.98%)**		**(0.71%)**

1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2 Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3 Comprises (as per the balance sheet) other securitised assets.
4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5 Comprises (as per the balance sheet) liabilities arising on securitisation of own originated loans and advances.
** Impacted by debt funding issued by the Investec Property Fund in which the group has a 24.3% (2019: 26.6%) interest. Excluding this debt funding cost, the net interest margin amounted to 2.00% (2019: 2.04%).*
^ The group adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest expense on the unwind of lease liabilities. The prior period comparatives have not been restated.

3. Net fee and commission income

This note analyses net fee and commission income from the group's continuing operations.

	Group	
For the year to 31 March **R'million**	**2020**	2019
Wealth management businesses net fee and commission income	**1 582**	**1 427**
Fund management fees/fees for assets under management	845	803
Private client transactional fees	773	661
Fee and commission expense	(36)	(37)
Specialist Banking net fee and commission income	**4 233**	**4 087**
Corporate and institutional transactional and advisory services*	3 410	3 470
Private client transactional fees	1 432	1 121
Fee and commission expense	(609)	(504)
Net fee and commission income	**5 815**	**5 514**
- Annuity fees (net of fees payable)	4 930	4 573
- Deal fees	885	941

Trust and fiduciary fees amounted to R4.4 million (2019: R4.5 million) and is included in private client transactional fees in the group

* *Included in Specialist Banking corporate and institutional and advisory services is net fee income of R1 725 million (2019: R1 717 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.*

4. Investment income

This note analyses investment income from the group's continuing operations.

For the year to 31 March R'million	Listed equities	Unlisted equities	Fair value loan invest-ments	Warrants and profit shares	**Invest-ment portfolio**	Debt securities (sovereign, bank and other)	Investment and trading properties	Other	**Total**
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:									
Group									
2020									
Realised	27	112	–	162	301	110	(6)	–	405
Unrealised^	(128)	(205)	1 127	1	795	111	(879)	(240)	(213)
Dividend income	186	232	–	–	418	–	–	–	418
Funding and other net related costs	–	(36)	–	–	(36)	–	(62)	–	(98)
	85	**103**	**1 127**	**163**	**1 478**	**221**	**(947)**	**(240)**	**512**
2019									
Realised	399	327	–	221	947	129	574	13	1 663
Unrealised^	(345)	(1 116)	116	(18)	(1 363)	51	(617)	(101)	(2 030)
Dividend income	188	492	–	–	680	–	–	3	683
Funding and other net related costs	–	(40)	–	–	(40)	–	–	(36)	(76)
	242	**(337)**	**116**	**203**	**224**	**180**	**(43)**	**(121)**	**240**
Company									
2020									
Unrealised^	(4)	–	–	–	(4)	–	–	–	(4)
Dividend income*	29	–	–	–	29	–	–	3 127	3 156
	25	**–**	**–**	**–**	**25**	**–**	**–**	**3 127**	**3 152**
2019									
Unrealised^	(7)	–	–	–	(7)	–	–	–	(7)
Dividend income*	28	–	–	–	28	–	–	2 130	2 158
	21	**–**	**–**	**–**	**21**	**–**	**–**	**2 130**	**2 151**

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

5. Other operating income

This note analyses other operating income from the group's continuing operations.

	Group	
For the year to 31 March **R'million**	**2020**	2019
Unrealised gains on other investments	5	11
	5	**11**

6. Expected credit loss impairment charges

This note analyses expected credit loss impairment charges from the group's continuing operations.

	Group	
For the year to 31 March **R'million**	**2020**	2019
Expected credit loss impairment charges/(releases) is recognised on the following assets:		
Loans and advances to customers	1 015	738
Expected credit loss impairment charges (refer to note 27)	1 219	1 267
Post write-off recoveries	(204)	(529)
Own originated securitised assets	6	(1)
Core loans and advances	**1 021**	**737**
Other balance sheet assets	64	16
Off balance sheet commitments and guarantees	24	8
Total expected credit loss impairment charges	**1 109**	**761**

7. Operating costs

This note analyses operating costs from the group's continuing operations.

For the year to 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Staff compensation costs	5 736	5 806	16	65
Salaries and wages (including directors' remuneration*)	4 805	4 850	16	65
Share-based payments expense	555	619	–	–
Social security costs	47	54	–	–
Pension and provident fund contributions	329	283	–	–
Training and other costs	234	189	–	–
Staff costs	5 970	5 995	16	65
Premises expenses**	209	280	–	–
Premises expenses (excluding depreciation)**	174	280	–	–
Premises depreciation**	35	–	–	–
Equipment expenses (excluding depreciation)	467	410	–	–
Business expenses***	940	744	2	35
Marketing expenses	423	430	–	–
Depreciation, amortisation and impairment on property, equipment and intangibles	298	277	–	–
	8 307	**8 136**	**18**	**100**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:				
Ernst & Young fees				
Total fees paid to the audit firm by virtue of being the group's auditor	**61**	**59**	**37**	**38**
Audit of the group's accounts	42	39	36	36
Audit of the group's subsidiaries pursuant to legislation	17	19	–	–
Audit related to assurance services	2	1	1	2
Total fees paid to the audit firm not in the capacity of being the group's auditor	2	1	–	–
Audit related to assurance services	2	1	–	–
KPMG fees				
Total fees paid to the audit firm by virtue of being the group's auditor	**51**	**39**	**2**	**2**
Audit of the group's accounts	40	35	2	2
Audit of the group's subsidiaries pursuant to legislation	6	4	–	–
Audit related to assurance services	5	–	–	–
Total fees paid to the audit firm not in the capacity of being the group's auditor	**–**	**2**	**–**	**–**
Tax advisory services	–	1	–	–
Other non-audit services	–	1	–	–
Total	**114**	**101**	**39**	**40**

* *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report in volume one of Investec group's 2020 integrated annual report.*

** *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by R35 million as a result of recognising a right-of-use asset and to reduce the premises expense in the year to 31 March 2020. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*

*** *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

8. Share-payments and employee benefits

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

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

For information on the share options granted to directors, refer to volume one of Investec group's 2020 integrated annual report.

	Group			
For the year to 31 March R'million	Wealth & Investment	Specialist Banking	Group Costs	**Total group**
Share-based payments expense				
2020				
Equity-settled	10	529	16	555
	10	**529**	**16**	**555**
2019				
Equity-settled	33	570	16	619
	33	**570**	**16**	**619**

	Group	
For the year to 31 March Number of share options	**2020**	2019
Details of options outstanding during the year		
Outstanding at the beginning of the year	22 701 506	26 816 217
Demerger	(594 600)	–
Granted during the year	5 801 274	6 487 699
Exercised during the year ^	(7 170 887)	(9 829 653)
Expired during the year	(902 153)	(772 757)
Outstanding at the end of the year	**19 835 140**	**22 701 506**
Vested and exercisable at the end of the year	**545 533**	**452 729**

^ *The weighted average share price for options exercised during the year and weighted average exercise price was R56.00 (2019: R91.85) and Rnil (2019: Rnil) respectively.*
As part of the demerger, employees of Investec Asset management left the employment of Investec on mutual agreement. This resulted in the acceleration of the share-based payment charge of R20.0 million on the date of the demerger.

	Group	
For the year to 31 March	**2020**	2019
Long-term incentive options with no strike price		
Weighted average remaining contractual life	2.10 years	2.00 years
Weighted average fair value of options and long-term grants at measurement date	R88.00	R91.77
The fair value of shares granted were calculated at market price. For shares granted during the period, the inputs were as follows:		
– Share price at date of grant	R88.00	R90.96 – R92.55
– Exercise price	R nil	R nil
– Option life	3.75 – 4.75 years	4.75 years

8. Share-based payments and employee benefits *(continued)*

Long-term employee benefits

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

Investec has an obligation to deliver Ninety One shares to the holders of Investec share options, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of R156.2 million was calculated as the fair value of the liability at the date of demerger for the portion of the options already vested. The total value of the liability was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

The IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 2020 was a gain of R5.8 million.

	2020
Details of Ninety One options & shares outstanding during the year	**Number of share options**
IAM Demerger – Ninety One Share Awards Issued 16 March 2020	10 212 742
Granted during the year	–
Exercised during the year	(271 698)
Lapsed during the year	(17 705)
Outstanding at the end of year	**9 923 339**
Exercisable at end of year	**277 931**

	2020
The exercise price range and weighted average remaining contractual life for LTIPs & LTSAs outstanding at 31 March 2020, were as follows:	
Exercise price	R nil
Weighted average remaining contractual life	2.10 Years

	2020
The fair value of the liability was calculated by using the Black-Scholes option pricing model.	
For the liability calculated on the date of demerger and as at 31 March 2020, the inputs into the model were as follows:	
– Share price	R30.55
– Exercise price	R nil
– Expected volatility	56.82%
– Option life	0.14 years – 4.19 years
– Expected dividend yields	0% – 6.28%
– Risk-free rate	5.73% – 7.71%

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

9. Taxation

For the year to 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Southern Africa				
Current taxation	1 228	542	46	30
- in respect of the current year	1 384	930	46	30
- in respect of release of tax provisions no longer required	–	(293)	–	–
- in respect of prior year adjustments	(156)	(95)	–	–
Deferred taxation	(233)	(252)	(106)	–
Total South African taxation	**995**	**290**	**(60)**	**30**
Foreign current taxation				
Mauritius	33	29	–	–
Total foreign taxation	**33**	**29**	**–**	**–**
Total taxation charge as per income statement	**1 028**	**319**	**(60)**	**30**
Taxation on operating profit before acquired intangibles	1 042	337	(60)	30
Taxation on acquired intangibles	(14)	(18)	–	–
Tax rate reconciliation:				
Profit before taxation as per income statement	5 532	6 792	2 625	2 386
Total taxation charge as per income statement	1 028	319	(60)	30
Effective rate of taxation	**18.6%**	**4.7%**	**(2.3%)**	**1.3%**
The standard rate of South African normal taxation has been affected by:				
Dividend income	5.8%	5.6%	33.4%	25.0%
Qualifying distribution	7.1%	5.8%	–	–
Other Additional Tier 1 securities interest	0.3%	0.6%	–	1.2%
Foreign earnings*	1.9%	1.5%	–	–
Prior year tax adjustments	2.8%	1.5%	–	–
Release of tax provisions no longer required	–	4.3%	–	–
Tax rate differential of profits of a capital nature	–	(0.2%)	–	4.2%
Assessed losses	(1.8%)	0.2%	–	–
Tax impact of equity accounted earnings of associate	1.7%	4.8%	–	–
Impairment of associate	(4.6%)	–	–	–
Group restructures	(0.2%)	–	–	–
Other non-taxable /non-deductible differences	(3.6%)	(0.8%)	(3.1%)	(3.7%)
	28.0%	**28.0%**	**28.0%**	**28.0%**
The deferred taxation charge/credit in the income statement arises from:				
Income and expenditure accruals	(5)	78	(60)	–
Expected credit loss impairment charges	(43)	(98)	–	–
Unrealised fair value adjustments on financial instruments	(15)	(200)	(46)	–
Losses carried forward	(86)	(32)	–	–
Deferred taxation on acquired intangibles	(14)	(14)	–	–
Revaluation of investment property	(38)	(1)	–	–
Finance lease accounting	(32)	15	–	–
	(233)	**(252)**	**(106)**	**–**

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

9. Taxation *(continued)*

For the year to 31 March R'million	Group **2020**	Group 2019	Company **2020**	Company 2019
Other comprehensive income taxation effects				
Fair value movements on cash flow hedges taken directly to other comprehensive income	(619)	62	–	–
– Pre-taxation	(1 019)	(232)	–	–
– Deferred taxation	137	318	–	–
– Current taxation	263	(24)	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(1 888)	(201)	–	–
– Pre-taxation	(2 685)	(262)	–	–
– Deferred taxation	797	61	–	–
Gain on realisation of FVOCI debt instruments recycled through the income statement	(79)	(89)	–	–
– Pre-taxation	(101)	(124)	–	–
– Deferred taxation	22	35	–	–
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	138	–	(159)	–
– Pre-taxation	201	–	(205)	–
– Deferred taxation	(63)	–	46	–

10. Headline earnings

For the year to 31 March R'million	2020	2019
Continuing operations		
Continuing earnings attributable to shareholders	3 246	5 424
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(502)	(489)
Continuing earnings attributable to ordinary shareholders	**2 744**	**4 935**
Headline adjustments	1 190	20
Revaluation of investment properties*	243	17
Fair value adjustment on investment property in associate	7	–
Impairment of goodwill	3	3
Impairment of associates and joint venture holdings	937	–
Continuing headline earnings attributable to ordinary shareholders	**3 934**	**4 955**
Discontinued operations		
Discontinued earnings attributable to ordinary shareholders	6 464	749
Gain on partial disposal of subsidiary*	(6 089)	–
Discontinued headline earnings attributable to ordinary shareholders	**375**	**749**
Earnings attributable to shareholders	9 710	6 173
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(502)	(489)
Earnings attributable to ordinary shareholders	**9 208**	**5 684**
Headline adjustments	(4 899)	20
Revaluation of investment properties*	243	17
Fair value adjustment on investment property in associate	7	–
Gain on partial disposal of subsidiary*	(6 089)	–
Impairment of goodwill	3	3
Impairment of associates and joint venture holdings	937	–
Headline earnings attributable to ordinary shareholders	**4 309**	**5 704**

**These amounts are net of taxation of R52.6 million (2019: Rnil), with a (R339.8 million) [2019: (R26 million)] impact on earnings attributable to non-controlling interests.*

11. Dividends

For the year to 31 March R'million	Group **2020**	Group 2019	Company **2020**	Company 2019
Ordinary dividend				
Final dividend in prior year*	1 323	1 133	1 333	1 158
Interim dividend for current year*	1 432	1 195	1 452	1 210
Total dividend attributable to ordinary shareholders recognised in current financial year	**2 755**	**2 328**	**2 785**	**2 368**
In light of regulatory guidance provided to banks in South Africa, the board has decided not to declare a final ordinary dividend, resulting in a full year dividend of 211 cents per ordinary share (2019: 457 cents per ordinary share).				
On 13 March 2020, the group successfully completed the demerger of its asset management business and distributed 55% of its shareholding in Ninety One to the value of R4.3 billion. This resulted in a distribution per ordinary share of 1 488 cents.				
Perpetual preference dividend				
Final dividend in prior year	192	194	127	128
Interim dividend for current year	193	190	128	126
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**385**	**384**	**255**	**254**
The directors have declared a final preference dividend in respect of the financial year ended 31 March 2020 of 382.31605 cents (2019: 394.65612) per Investec Limited perpetual preference share and 406.64891 cents (2019: 422.87121 cents) per Investec Bank Limited perpetual preference share. The final preference dividend will be payable to shareholders on the register at the close of business on 5 June 2020.				
Dividends attributable to Other Additional Tier 1 securities in issue	117	105	104	105
The INLVO1, INLVO5 and IVO50 Other Additional Tier 1 floating rate notes pay dividends on a quarterly basis at a rate equal to the three-month JIBAR plus 4.25%, 5.15% and 4.55% respectively. Refer to note 47.				
Total dividends declared to other equity holders including Other Additional Tier 1 securities	**502**	**489**	**359**	**359**

* *This includes the dividend paid by Investec Limited on DAS share equivalent for South African resident shareholders of Investec plc.*

12. Operating lease disclosure

For the year to 31 March R'million	Group 2020	2019
Operating lease expenses recognised in operating costs:		
Minimum lease payments	**–**	**177**
Operating lease income recognised in income:		
Minimum lease payments	**1 725**	**1 717**

On 1 April 2019 the group adopted IFRS 16 leases which replaced IAS 17 Leases. This resulted in operating leases brought on balance sheet. The majority of operating lease expenses in the group relate to leases on property. Rental income from leased properties is included in 'Fee and commission income'.

For the year to 31 March R'million	Group 2020	2019
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	1 420	1 439
One to five years	3 048	3 256
Later than five years	1 018	958
	5 486	**5 653**

The group leases properties to third parties under operating lease arrangements. The leases typically run for a period of three years or longer. Lessees are entitled to the use of the properties leased to them for their own business purposes for the duration of the contracted lease period.

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

This note is an analysis of income and impairments by category of financial instrument from the group's continuing operations.

	At fair value through profit or loss		
	IFRS 9 mandatory		
For the year to 31 March R'million	Trading^	Non-trading^	Designated at initial recognition
Group			
2020			
Interest income	374	1 665	1 219
Interest expense	(147)	–	(1 034)
Fee and commission income	20	–	–
Fee and commission expense	(1)	–	–
Investment income	–	1 336	263
Share of post taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from			
– customer flow	583	(15)	–
– balance sheet management and other trading activities	561	(18)	(386)
Other operating income	–	–	–
Total operating income before expected credit loss impairment charges	**1 390**	**2 968**	**62**
Expected credit loss impairment charges	–	–	(45)
Operating income	**1 390**	**2 968**	**17**
2019			
Interest income	289	719	954
Interest expense	(119)	(78)	(1 150)
Fee and commission income	–	–	–
Fee and commission expense	1	–	–
Investment income	–	1 837	–
Share of post taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from			
– customer flow	628	(13)	–
– balance sheet management and other trading activities	384	4	108
Other operating income	–	–	–
Total operating income before expected credit loss impairment charges	**1 183**	**2 469**	**(88)**
Expected credit loss impairment charges	–	–	28
Operating income	**1 183**	**2 469**	**(60)**

* *Includes off balance sheet items.*

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

At fair value through other comprehensive income

Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income*	**Total**
4 621	–	28 062	1	7	35 949
–	–	(26 197)	(16)	–	(27 394)
–	–	3 527	1 872	1 041	6 460
(4)	–	(487)	(141)	(12)	(645)
103	5	(212)	(950)	(33)	512
–	–	–	311	–	311
–	–	(371)	–	–	197
–	–	404	(17)	–	544
–	–	–	5	–	5
4 720	**5**	**4 726**	**1 065**	**1 003**	**15 939**
(22)	–	(1 018)	–	(24)	(1 109)
4 698	**5**	**3 708**	**1 065**	**979**	**14 830**
4 708	–	27 182	142	13	34 007
–	–	(24 879)	–	(3)	(26 229)
–	–	1 505	1 753	2 797	6 055
(2)	–	(332)	(76)	(132)	(541)
125	–	30	(1 752)	–	240
–	–	–	1 163	–	1 163
–	–	5	–	(7)	613
–	–	(80)	4	–	420
–	–	–	11	–	11
4 831	**–**	**3 431**	**1 234**	**2 668**	**15 739**
5	–	(786)	–	(8)	(761)
4 836	**–**	**2 645**	**1 234**	**2 660**	**14 978**

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

	At fair value through profit or loss			
	IFRS 9 mandatory			
For the year to 31 March **R'million**	Trading^	Non-trading^	Designated at initial recognition	
Company				
2020				
Interest income	–	–	–	
Interest expense	–	–	–	
Investment income	–	–	(3)	
– balance sheet management and other trading activities	–	–	–	
Total operating income before expected credit loss impairment charges	**–**	**–**	**(3)**	**–**
Operating income	**–**	**–**	**(3)**	
2019				
Interest income	–	–	–	
Interest expense	–	–	–	
Investment income	–	(7)	–	
Trading income arising from balance sheet management and other trading activities	–	–	–	
Total operating income before expected credit loss impairment charges	**–**	**(7)**	**–**	

* *Includes off balance sheet items.*

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

At fair value through other comprehensive income

Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income*	**Total**
–	–	117	–	–	117
–	–	(202)	–	–	(202)
–	28	–	3 127	–	3 152
–	–	–	(19)	–	(19)
–	**28**	**(85)**	**3 108**	**–**	**3 048**
–	**28**	**(85)**	**3 108**	**–**	**3 048**
–	–	163	–	–	163
–	–	(180)	–	–	(180)
–	28	–	2 130	–	2 151
–	–	–	(5)	–	(5)
–	**28**	**(17)**	**2 125**	**–**	**2 129**

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

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March R'million	Trading^	Non-trading^	Designated at initial recognition
Group			
2020			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	–	–
Non-sovereign and non-bank cash placements	–	545	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 731	14 518	–
Sovereign debt securities	–	6 883	–
Bank debt securities	–	289	–
Other debt securities	–	3 736	–
Derivative financial instruments*	17 431	–	–
Securities arising from trading activities	10 065	301	–
Investment portfolio	141	13 464	–
Loans and advances to customers	–	2 384	20 702
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	2 039	17	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	–	–	–
	33 407	**42 137**	**20 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	33 407	**42 137**	**20 702**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	22 469	–	–
Other trading liabilities	8 660	–	–
Repurchase agreements and cash collateral on securities lent	3 175	–	–
Customer accounts (deposits)	–	–	44 601
Debt securities in issue	–	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	924	13	–
	35 228	**13**	**44 601**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	35 228	**13**	**44 601**
Subordinated liabilities	–	–	–
	35 228	**13**	**44 601**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

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

At fair value through other comprehensive income						
Debt instruments with a dual business model	Equity instruments	Financial assets linked to investment contract liabilities	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
–	–	–	–	36 656	–	36 656
–	–	–	–	19 536	–	19 536
–	–	–	545	13 469	–	14 014
–	–	–	18 249	11 377	–	29 626
53 138	–	–	60 021	4 337	–	64 358
7 092	–	–	7 381	4 884	–	12 265
6 637	–	–	10 373	6 964	–	17 337
–	–	–	17 431	–	–	17 431
–	–	–	10 366	–	–	10 366
–	2 959	–	16 564	–	–	16 564
–	–	–	23 086	258 600	–	281 686
–	–	–	–	7 192	–	7 192
–	–	–	–	242	–	242
–	–	–	–	497	–	497
–	–	–	–	–	6 924	6 924
–	–	–	–	–	2 996	2 996
–	–	–	2 056	6 521	4 268	12 845
–	–	–	–	–	3 093	3 093
–	–	–	–	–	19 137	19 137
–	–	–	–	–	219	219
–	–	–	–	–	318	318
–	–	–	–	–	1 305	1 305
66 867	**2 959**	**–**	**166 072**	**370 275**	**38 260**	**574 607**
–	–	780	780	–	–	780
66 867	**2 959**	**780**	**166 852**	**370 275**	**38 260**	**575 387**
–	–	–	–	46 833	–	46 833
–	–	–	22 469	–	–	22 469
–	–	–	8 660	–	–	8 660
–	–	–	3 175	23 451	–	26 626
–	–	–	44 601	330 855	–	375 456
–	–	–	–	7 634	–	7 634
–	–	–	–	1 699	–	1 699
–	–	–	–	–	541	541
–	–	–	–	–	517	517
–	–	–	937	7 447	4 730	13 114
–	**–**	–	**79 842**	**417 919**	**5 788**	**503 549**
–	–	727	727	–	–	727
–	–	53	53	–	–	53
–	**–**	**780**	**80 622**	**417 919**	**5 788**	**504 329**
–	–	–	–	14 383	–	14 383
–	**–**	**780**	**80 622**	**432 302**	**5 788**	**518 712**

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

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March R'million	Trading^	Non-trading^	Designated at initial recognition
Group			
2019			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	–	–
Non-sovereign and non-bank cash placements	–	610	–
Reverse repurchase agreements and cash collateral on securities borrowed	8 228	1 642	–
Sovereign debt securities	–	9 053	–
Bank debt securities	–	277	–
Other debt securities	–	2 589	–
Derivative financial instruments*	7 736	–	–
Securities arising from trading activities	20 011	68	–
Investment portfolio	92	9 978	–
Loans and advances to customers	–	2 046	14 056
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	868	222	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	36 935	**26 485**	**14 056**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	36 935	**26 485**	**14 056**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	11 111	–	–
Other trading liabilities	11 132	–	–
Repurchase agreements and cash collateral on securities lent	7 742	–	–
Customer accounts (deposits)	–	–	44 606
Debt securities in issue	–	–	2 856
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	828	68	–
	30 813	**68**	**47 462**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	30 813	**68**	**47 462**
Subordinated liabilities	–	–	–
	30 813	**68**	**47 462**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

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

At fair value through other comprehensive income

Debt instruments with a dual business model	Equity instruments	Financial assets linked to investment contract liabilities	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
–	–	–	–	10 290	–	10 290
–	–	–	–	22 125	–	22 125
–	–	–	610	11 582	–	12 192
–	–	–	9 870	11 476	–	21 346
46 551	–	–	55 604	5 289	–	60 893
5 322	–	–	5 599	6 903	–	12 502
6 182	–	–	8 771	4 809	–	13 580
–	–	–	7 736	–	–	7 736
–	–	–	20 079	–	–	20 079
–	–	–	10 070	–	–	10 070
–	–	–	16 102	247 435	–	263 537
–	–	–	–	7 667	–	7 667
–	–	–	–	329	–	329
–	–	–	–	294	–	294
–	–	–	–	–	6 284	6 284
–	–	–	–	–	1 890	1 890
–	–	–	1 090	7 035	6 156	14 281
–	–	–	–	–	3 043	3 043
–	–	–	–	–	18 425	18 425
–	–	–	–	–	211	211
–	–	–	–	–	418	418
58 055	**–**	**–**	**135 531**	**335 234**	**36 427**	**507 192**
–	–	154 477	154 477	–	–	154 477
58 055	**–**	**154 477**	**290 008**	**335 234**	**36 427**	**661 669**
–	–	–	–	31 735	–	31 735
–	–	–	11 111	–	–	11 111
–	–	–	11 132	–	–	11 132
–	–	–	7 742	7 492	–	15 234
–	–	–	44 606	296 972	–	341 578
–	–	–	2 856	9 472	–	12 328
–	–	–	–	1 720	–	1 720
–	–	–	–	–	574	574
–	–	–	–	–	54	54
–	–	–	896	3 984	5 374	10 254
–	**–**	**–**	**78 343**	**351 375**	**6 002**	**435 720**
–	–	154 422	154 422	–	–	154 422
–	–	55	55	–	–	55
–	**–**	**154 477**	**232 820**	**351 375**	**6 002**	**590 197**
–	–	–	–	15 857	–	15 857
–	**–**	**154 477**	**232 820**	**367 232**	**6 002**	**606 054**

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

	At fair value through profit or loss			
	IFRS 9 mandatory			
At 31 March R'million	Trading^	Non-trading^	Designated at initial recognition	
Company				
2020				
Assets				
Loans and advances to banks	–	–	–	
Bank debt securities	–	–	–	
Investment portfolio	–	12	–	
Deferred taxation assets	–	–	–	
Other assets	–	–	–	
Investment in subsidiaries	–	–	–	
	–	**12**	**–**	**–**
Liabilities				
Debt securities in issue	–	–	–	
Current taxation liabilities	–	–	–	
Other liabilities	–	–	–	
	–	–	–	–
Subordinated liabilities	–	–	–	
	–	**–**	**–**	
2019				
Assets				
Loans and advances to banks	–	–	–	
Bank debt securities	–	–	–	
Investment portfolio	–	16	–	
Other assets	–	–	–	
Investment in subsidiaries	–	12	–	
	–	**28**	**–**	
Liabilities				
Debt securities in issue	–	–	–	
Current taxation liabilities	–	–	–	
Other liabilities	–	–	–	
	–	–	–	
Subordinated liabilities	–	–	–	
	–	**–**	**–**	

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

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

At fair value through other comprehensive income						
Debt instruments with a dual business model	Equity instruments	Financial assets linked to investment contract liabilities	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
–	–	–	–	20	–	20
–	–	–	–	350	–	350
–	135	–	147	–	–	147
–	–	–	–	–	106	106
–	–	–	–	–	25	25
–	–	–	–	283	19 320	19 603
–	**135**	**–**	**147**	**653**	**19 451**	**20 251**
–	–	–	–	319	–	319
–	–	–	–	–	53	53
–	–	–	–	1 023	508	1 531
–	**–**	**–**	**–**	**1 342**	**561**	**1 903**
–	–	–	**–**	2 346	–	2 346
–	**–**	**–**	**–**	**3 688**	**561**	**4 249**
–	–	–	–	18	–	18
–	–	–	–	350	–	350
–	293	–	309	–	–	309
–	–	–	–	11	24	35
–	–	–	12	1 404	15 581	16 997
–	**293**	**–**	**321**	**1 783**	**15 605**	**17 709**
–	–	–	–	319	–	319
–	–	–	–	–	10	10
–	–	–	–	257	608	865
–	**–**	**–**	**–**	**576**	**618**	**1 194**
–	–	–	–	1 939	–	1 939
–	**–**	**–**	**–**	**2 515**	**618**	**3 133**

15. Financial instruments at fair value

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

The different levels are identified as follows:

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

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

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

Fair value disclosures on investment properties are included in the 'Investment properties' note 33.

		Fair value category		
At 31 March R'million	**Total instruments at fair value**	Level 1	Level 2	Level 3
Group				
2020				
Assets				
Non-sovereign and non-bank cash placements	545	–	545	–
Reverse repurchase agreements and cash collateral on securities borrowed	18 249	–	18 249	–
Sovereign debt securities	60 021	60 021	–	–
Bank debt securities	7 381	5 543	1 838	–
Other debt securities	10 373	5 869	4 504	–
Derivative financial instruments	17 431	80	17 351	–
Securities arising from trading activities	10 366	10 299	67	–
Investment portfolio	16 564	5 309	87	11 168
Loans and advances to customers	23 086	–	22 326	760
Other assets	2 056	2 056	–	–
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	780	780	–	–
	166 852	**89 957**	**64 967**	**11 928**
Liabilities				
Derivative financial instruments	22 469	–	22 469	–
Other trading liabilities	8 660	4 189	4 471	–
Repurchase agreements and cash collateral on securities lent	3 175	–	3 175	–
Customer accounts (deposits)	44 601	–	44 601	–
Other liabilities	937	–	924	13
Liabilities to customers under investment contracts	727	–	727	–
Insurance liabilities, including unit-linked liabilities	53	–	53	–
	80 622	**4 189**	**76 420**	**13**
Net financial assets/(liabilities) at fair value	**86 230**	**85 768**	**(11 453)**	**11 915**

15. Financial instruments at fair value *(continued)*

At 31 March R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
2019				
Assets				
Non-sovereign and non-bank cash placements	610	–	610	–
Reverse repurchase agreements and cash collateral on securities borrowed	9 870	–	9 870	–
Sovereign debt securities	55 604	55 604	–	–
Bank debt securities	5 599	2 799	2 800	–
Other debt securities	8 771	4 187	4 469	115
Derivative financial instruments	7 736	–	7 736	–
Securities arising from trading activities	20 079	19 925	154	–
Investment portfolio	10 070	3 014	354	6 702
Loans and advances to customers	16 102	–	15 342	760
Other assets	1 090	1 090	–	–
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	154 477	154 477	–	–
	290 008	**241 096**	**41 335**	**7 577**
Liabilities				
Derivative financial instruments	11 111	–	11 111	–
Other trading liabilities	11 132	8 946	2 186	–
Repurchase agreements and cash collateral on securities lent	7 742	–	7 742	–
Customer accounts (deposits)	44 606	–	44 606	–
Debt securities in issue	2 856	–	2 856	–
Other liabilities	896	–	828	68
Liabilities to customers under investment contracts	154 422	–	154 422	–
Insurance liabilities, including unit-linked liabilities	55	–	55	–
	232 820	**8 946**	**223 806**	**68**
Net financial assets/(liabilities) at fair value	**57 188**	**232 150**	**(182 471)**	**7 509**
Company				
2020				
Assets				
Investment portfolio	147	147	–	–
	147	**147**	**–**	**–**
2019				
Assets				
Investment portfolio	309	309	–	–
Investment in subsidiaries	12	–	12	–
	321	**309**	**12**	**–**

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 in the current and prior year.

15. Financial instruments at fair value *(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 in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	VALUATION BASIS/ TECHNIQUES	MAIN INPUTS
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model	Yield curve
	Black-Scholes	Volatilities
Securities arising from trading activities	Discounted cash flow model	Yield curve
	Adjusted quoted price	Liquidity adjustment
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	Yield curve
	Black-Scholes	Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve
Liabilities to customers under investment contracts	Current price of underlying unitised assets	Listed prices
Insurance liabilities, including unit-linked liabilities	Current price of underlying unitised assets	Listed prices

15. Financial instruments at fair value *(continued)*

Transfers between level 1 and level 2

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

Level 3 instruments

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

Group

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Assets				
Balance at 1 April 2018	3 834	604	109	4 547
Net (losses) recognised in the income statement	(395)	(1)	–	(396)
Purchases	3 698	94	–	3 792
Sales	(640)	–	–	(640)
Settlement	(4)	–	–	(4)
Transfers into level 3	220	63	–	283
Foreign exchange adjustments	(11)	–	6	(5)
Balance at 31 March 2019	**6 702**	**760**	**115**	**7 577**
Net gains/(losses) recognised in the income statement	270	(4)	–	266
Purchases	6 097	6	–	6 103
Sales	(2 741)	–	–	(2 741)
Settlements	(389)	(2)	(115)	(506)
Transfers into level 3	246	–	–	246
Foreign exchange adjustments	983	–	–	983
Balance at 31 March 2020	**11 168**	**760**	**–**	**11 928**

R'million	Other liabilities	Total
Liabilities		
Balance at 1 April 2018	–	–
Purchases	68	68
Balance at 31 March 2019	**68**	**68**
Purchases	11	11
Settlements	(70)	(70)
Foreign exchange adjustments	4	4
Balance at 31 March 2020	**13**	**13**

For the year ended 31 March 2020 R246.2 million of instruments transferred from level 2 into level 3 due to delisting.

For the year ended 31 March 2019, R283 million of level 2 instruments were transferred into level 3 as a result of a credit risk adjustment to the discount rate becoming a significant input.

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

15. Financial instruments at fair value *(continued)*

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

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2020			
Total gains or (losses) included in the income statement for the year			
Investment income	86	55	31
Trading income arising from balance sheet management and other trading activities	180	–	180
	266	**55**	**211**

For the year to 31 March R'million	Total	Realised	Unrealised
2019			
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(667)	140	(807)
Trading income arising from balance sheet management and other trading activities	271	–	271
	(396)	**140**	**(536)**

15. Financial instruments at fair value *(continued)*

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

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

					Potential impact on the income statement	
At 31 March 2020	**Level 3 balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	**Favourable changes R'million**	**Unfavourable changes R'million**
Group						
Assets						
Investment portfolio	11 168				1 074	(1 186)
		Price earnings	EBITDA	*	563	(560)
		Discounted cash flow	Discount rate	(0.1%)/1.9%	21	(86)
		Discounted cash flow	Cash flows	*	59	(39)
		Discounted cash flow	Property values	(10%)/10%	328	(328)
		Discounted cash flow	Precious and industrial metal prices	(6%)/6%	16	(27)
		Net asset value	Underlying asset value	^	24	(67)
		Other	Various	**	63	(79)
Loans and advances to customers	760				49	(77)
		Discounted cash flow	Property values	(5%)/5%	1	(1)
		Discounted cash flow	Cash flows	*	42	(70)
		Net asset value	Underlying asset value	^	6	(6)
Total level 3 assets	**11 928**				**1 123**	**(1 263)**
Liabilities						
Other liabilities	13	Discounted cash flow	Property values	(10%)/10%	1	(1)
Total level 3 liabilities	**13**				**1**	**(1)**
Net level 3 assets	**11 915**				**1 124**	**(1 264)**

* *The EBITDA and cash flows has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

^ *Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity.*

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

15. Financial instruments at fair value *(continued)*

At 31 March 2019	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Group						
Assets						
Other debt securities	115	Price earnings	EBITDA	(5%)/5%	6	(6)
Investment portfolio	6 702				940	(1 044)
		Price earnings	EBITDA	*	404	(396)
		Discounted cash flow	Cash flows	(50%)/50%	199	(180)
		Net asset value	Underlying asset value	**	90	(212)
		Discounted cash flow	Precious and industrial metal prices	(10%)/6%	41	(41)
		Discounted cash flow	Property values	(5%)/5%	191	(191)
		Other	Various	^	15	(24)
Loans and advances to customers	760				310	(310)
		Discounted cash flow	Cash flows	(50%)/50%	302	(302)
		Price earnings	EBITDA	*	6	(6)
		Discounted cash flow	Property values	(5%)/5%	2	(2)
Total level 3 assets	**7 577**				**1 256**	**(1 360)**
Liabilities						
Other liabilities	68	Discounted cash flow	Property values	(5%)/5%	(9)	9
Total level 3 liabilities	**68**				**(9)**	**9**
Net level 3 assets	**7 509**				**1 247**	**(1 351)**

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

In determining the value of level 3 financial instruments, the following are the principal input 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.

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.

Cash flows

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

15. Financial instruments at fair value *(continued)*

Underlying asset value

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

Price of property and precious and industrial metals

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

Credit spreads

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

16. Fair value of financial instruments at amortised cost

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

			Fair value category		
At 31 March R'million	**Carrying amount**	**Fair value**	Level 1	Level 2	Level 3
Group					
2020					
Assets					
Reverse repurchase agreements and cash collateral on securities borrowed	11 377	11 374	3 199	8 175	–
Sovereign debt securities	4 337	5 077	5 077	–	–
Bank debt securities	4 884	4 783	2 713	2 070	–
Other debt securities	6 964	6 264	1 906	4 358	–
Loans and advances to customers	258 600	258 632	2 812	228 074	27 746
Liabilities					
Deposits by banks	46 833	47 324	9 556	37 768	–
Repurchase agreements and cash collateral on securities lent	23 451	23 281	18 299	4 982	–
Customer accounts (deposits)	330 855	331 435	141 786	189 649	–
Debt securities in issue	7 634	7 669	4 319	3 293	57
Subordinated liabilities	14 383	15 801	15 801	–	–
2019					
Assets					
Reverse repurchase agreements and cash collateral on securities borrowed	11 476	11 478	1 328	10 150	–
Sovereign debt securities	5 289	5 097	5 097	–	–
Bank debt securities	6 903	6 896	4 048	2 848	–
Other debt securities	4 809	4 782	2 649	2 133	–
Loans and advances to customers	247 435	247 446	2 782	223 771	20 893
Liabilities					
Deposits by banks	31 735	32 238	1 694	30 544	–
Repurchase agreements and cash collateral on securities lent	7 492	7 447	4 222	3 225	–
Customer accounts (deposits)	296 972	297 561	114 106	183 454	1
Debt securities in issue	9 472	9 493	5 759	3 676	58
Subordinated liabilities	15 857	17 458	17 458	–	–
Company					
2020					
Liabilities					
Subordinated liabilities	2 346	2 346	2 346	–	–
2019					
Liabilities					
Subordinated liabilities	1 939	1 962	1 962	–	–

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

16. Financial instruments at fair value *(continued)*

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

	VALUATION BASIS/TECHNIQUE	MAIN INPUTS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Loans and advances to customers	Discounted cash flow model	Yield curve
Liabilities		
Deposits by banks	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve

In isolated instances amortised cost assets are sold. The most significant of these was a loan to the value of R78 million in the prior year which was sold as the risk of the asset exceeded the appetite of the portfolio. There were no sales in the current year.

17. Financial instruments designated at fair value

At 31 March R'million	Carrying value	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk
Group						
Assets						
2020						
Loans and advances to customers	20 702	(583)	677	(40)	(67)	20 024
	20 702	**(583)**	**677**	**(40)**	**(67)**	**20 024**
2019						
Loans and advances to customers	14 056	163	174	(28)	(30)	13 882
	14 056	**163**	**174**	**(28)**	**(30)**	**13 882**

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Current	Fair value adjustment Cumulative
Group				
Liabilities				
2020				
Customer accounts (deposits)	44 601	43 929	130	527
	44 601	**43 929**	**130**	**527**
2019				
Customer accounts (deposits)	44 606	44 497	(108)	142
Debt securities in issue	2 856	2 856	353	353
	47 462	**47 353**	**245**	**495**

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

Current and cumulative changes in fair value of financial liabilities attributable to credit risk were both R1.7 million (2019: R2 million) and R34.7 million (2019: R33.0 million) respectively.

18. Cash and balances at central banks

At 31 March R'million	Group 2020	Group 2019
Gross cash and balances at central banks	36 657	10 298
Expected credit loss on amortised cost	(1)	(8)
Net cash and balances at central banks	**36 656**	**10 290**
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	36 374	10 086
Other	282	204
	36 656	**10 290**

19. Loans and advances to banks

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Gross loans and advances to banks	19 540	22 126	20	18
Expected credit loss on amortised cost	(4)	(1)	–	–
Net loans and advances to banks	**19 536**	**22 125**	**20**	**18**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	6 242	14 391	20	18
Africa (excluding RSA)	2 163	203	–	–
United Kingdom	5 659	1 077	–	–
Europe (excluding UK)	3 785	1 091	–	–
Australia	84	150	–	–
United States of America	1 046	3 363	–	–
Asia	551	1 837	–	–
Others	6	13	–	–
	19 536	**22 125**	**20**	**18**

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

At 31 March R'million	Group 2020	Group 2019
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	29 627	21 346
Expected credit loss on amortised cost	(1)	^
Net reverse repurchase agreements and cash collateral on securities borrowed	**29 626**	**21 346**
Reverse repurchase agreements	24 316	16 378
Cash collateral on securities borrowed	5 310	4 968
	29 626	**21 346**
As part of the reverse repurchase and securities borrowing agreements the group and company have received securities that they are allowed to sell or re-pledge. R1.6 billion (2019: R5.5 billion) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	26 626	15 234
	26 626	**15 234**
The assets transferred and not derecognised in the above repurchase agreements are fair valued at R27.9 billion (2019: R12.8 billion). They are pledged as security for the term of the underlying repurchase agreement. Refer to note 52.		

^ *Less than R1 million*

21. Sovereign debt securities

At 31 March R'million	Group 2020	Group 2019
Gross sovereign debt securities	64 362	60 897
Expected credit loss on amortised cost	(4)	(4)
Net sovereign debt securities	**64 358**	**60 893**
Bonds	30 596	22 521
Government securities	1 841	1 791
Treasury bills	31 921	36 581
	64 358	**60 893**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	64 154	60 753
Other	204	140
	64 358	**60 893**

22. Bank debt securities

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Gross bank debt securities	12 269	12 506	350	350
Expected credit loss on amortised cost	(4)	(4)	–	–
Net bank debt securities	**12 265**	**12 502**	**350**	**350**
Bonds	9 826	10 900	350	350
Floating rate notes	1 790	1 048	–	–
Asset-based securities	649	554	–	–
	12 265	**12 502**	**350**	**350**
The country risk of the bank debt securities lies in the following geographies:				
South Africa	6 793	7 042	350	350
United Kingdom	2 156	2 130	–	–
Europe (excluding UK)	1 595	1 321	–	–
Australia	1 063	1 060	–	–
United States of America	350	903	–	–
Other	308	46	–	–
	12 265	**12 502**	**350**	**350**

23. Other debt securities

At 31 March R'million	Group 2020	2019
Gross other debt securities	17 348	13 586
Expected credit loss on amortised cost	(11)	(6)
Net other debt securities	**17 337**	**13 580**
Bonds	11 596	11 545
Floating rate notes	4 002	1 761
Asset-based securities	1 739	241
Other investments	–	33
	17 337	**13 580**
The country risk of the other debt securities lies in the following geographies:		
South Africa	9 868	8 937
United Kingdom	2 716	2 372
Europe (excluding UK)	3 806	1 855
Australia	–	206
United States of America	947	–
Other	–	210
	17 337	**13 580**

24. Derivatives

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	2020			2019		
At 31 March R'million	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	14 635	638	1 262	98 486	1 299	1 220
Currency swaps	160 021	6 237	12 357	42 608	1 634	4 491
OTC options bought and sold	64 093	1 567	1 374	51 922	506	611
Other foreign exchange contracts	4 069	10	11	4 961	20	26
	242 818	**8 452**	**15 004**	**197 977**	**3 459**	**6 348**
Interest rate derivatives						
Caps and floors	5 337	46	65	2 806	10	6
Swaps	1 278 227	6 906	8 541	1 093 675	2 218	3 212
Forward rate agreements	21 211	1 274	1 425	12 200	114	116
OTC options bought and sold	487	–	4	925	^	1
Other interest rate contracts	6 387	923	6	6 977	304	26
OTC derivatives	**1 311 649**	**9 149**	**10 041**	**1 116 583**	**2 646**	**3 361**
Exchange traded futures	1 073	80	–	15	52	–
	1 312 722	**9 229**	**10 041**	**1 116 598**	**2 698**	**3 361**
Equity and stock index derivatives						
OTC options bought and sold	666	1 173	3 887	39 525	1 896	2 003
Equity swaps and forwards	2 482	1 170	7 388	34 511	73	855
OTC derivatives	**3 148**	**2 343**	**11 275**	**74 036**	**1 969**	**2 858**
Exchange traded futures	1 481	–	–	2 613	2	–
Exchange traded options	–	–	–	698	37	–
Warrants	–	–	–	(6 322)	–	5 472
	4 629	**2 343**	**11 275**	**71 025**	**2 008**	**8 330**
Commodity derivatives						
OTC options bought and sold	–	–	–	2	7	8
Commodity swaps and forwards	125	863	895	1	173	92
	125	**863**	**895**	**3**	**180**	**100**
Credit derivatives	**11 784**	**90**	**144**	**10 782**	**8**	**57**
Other derivatives*		**45**	**–**	**–**	**174**	**–**
Cash collateral		**(3 591)**	**(14 890)**	**–**	**(791)**	**(7 085)**
Derivatives per balance sheet		**17 431**	**22 469**		**7 736**	**11 111**

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

25. Securities arising from trading activities

At 31 March R'million	Group 2020	Group 2019
Bonds	452	3 554
Floating rate notes	786	–
Listed equities	9 090	16 440
Unlisted equities	–	85
Other investments	38	–
	10 366	**20 079**

26. Investment portfolio

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Listed equities^	5 313	3 034	147	309
Unlisted equities*	3 807	4 144	–	–
Fair value loan investments	7 444	2 892	–	–
	16 564	**10 070**	**147**	**309**

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

^ *Included is an investment in Ninety One shares of R2.8 billion and an investment of R189 million in a portfolio of perpetual preference shares issued by South African listed banks which is measured at FVOCI. Dividends recognised on Ninety One shares is Rnil and on the portfolio of preference shares is R13.9 million. The group measures investments at FVOCI when considers them to be strategic investments or if they are held for dividend yield.*

27. Loans and advances to customers

At 31 March R'million	Group 2020	2019
Gross loans and advances to customers at amortised cost	261 877	250 097
Gross loans and advances to customers designated at FVPL at inception^	20 769	14 085
Gross loans and advances to customers subject to ECL	282 646	264 182
Expected credit loss on amortised cost	(3 344)	(2 691)
	279 302	261 491
Loans and advances to customers at fair value	2 384	2 046
Net loans and advances to customers	**281 686**	**263 537**
Gross other loans and advances	267	355
Expected credit loss of other loans and advances	(25)	(26)
Net other loans and advances	**242**	**329**

^ *These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost.*

For further analysis on loans and advances refer to pages 67 to 74 in the risk management section.

At 31 March R'million	Group 2020	2019
Expected credit losses on loans and advances to customers subject to ECL		
Balance at the beginning of year	2 691	1 967
Charge to the income statement	1 219	1 267
Utilised	(689)	(533)
Disposals	–	(37)
Transfers	93	(1)
Exchange adjustment	30	28
Balance at the end of year	**3 344**	**2 691**
Expected credit losses on other loans and advances at amortised cost		
Balance at the beginning of year	23	22
Charge to the income statement	2	–
Transfers	–	1
Balance at the end of year	**25**	**23**

28. Securitised assets and liabilities arising on securitisation

At 31 March R'million	Group 2020	2019
Gross own originated loans and advances to customers securitised	7 208	7 677
Expected credit loss on own originated loans and advances to customers securitised	(16)	(10)
Net own originated loans and advances to customers securitised	**7 192**	**7 667**
Other securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	497	294
Total other securitised assets	**497**	**294**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	**1 699**	**1 720**
Expected credit losses on own originated loans and advances to customers securitised at amortised cost		
Balance at the beginning of year	10	11
Charge to the income statement	6	–
Utilised	–	(1)
Balance at the end of year	**16**	**10**

29. Interests in associated undertakings and joint venture holdings

At 31 March R'million	Group 2020	2019
Analysis of the movement in interests in associated undertakings and joint venture holdings:		
At the beginning of year	6 284	6 495
Acquisitions	909	35
Disposals	–	(20)
Share of post taxation profit of associates	311	1 163
Net equity movements of interests in associated undertakings	(44)	(124)
Dividends declared by associates	–	(1 088)
Transfer from investment portfolio	385	–
Settlement of loan	–	(189)
Impairment of associate*	(937)	–
Exchange adjustments	16	12
At the end of year	**6 924**	**6 284**

* *Of the impairment, R221 million relates to impairments of associates recorded by IEP itself, and R716 million relates to the impairment processed by the group on the equity accounted value of IEP.*

	IEP Group Proprietary Limited		UK Nestor #
	2020	2019	**2020**
Details of material associated companies			
Summarised financial information (R'million):			
For the year to 31 March			
Revenue**	13 708	14 637	–
Profit after taxation**	2 584	3 012	–
Total comprehensive income**	1 774	2 915	–
At 31 March			
Asset			
Non-current assets	20 558	20 429	6 528
Current assets	5 956	6 286	341
Liabilities			
Non-current liabilities	9 476	5 600	3 763
Current liabilities	2 580	6 549	160
Net asset value	**14 458**	**14 566**	**2 946**
Non-controlling interest	2 473	2 574	–
Shareholders' equity	11 985	11 992	2 946
Effective interest in issued share capital	47.4%	45.9%	38.0%
Net asset value^	5 611	5 502	1 119
Goodwill	–	682	29
Carrying value of interest – equity method	**5 611**	**6 184**	**1 148**

** *Income statement and other comprehensive income items are only shown for the period for which they are equity accounted.*
^ *The net asset value of IEP is R5.7 billion (47.4% of R12 billion) reduced by the portion of the impairment of IEP that exceeded the value of the goodwill.*
\# *UK Nestor is an associate of Investec Property Fund.*

Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of R937 million in total in the current year. Management of IEP identified indicators of impairment of two investments in associates and recognised an impairment of R221 million. As a result of this impairment, Investec management performed an impairment test on the investment in IEP and recognised an additional impairment of R716 million. The recoverable amount of the investment in IEP was determined to be the value-in-use of the investment. The value-in-use was determined by calculating the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations. This estimate was performed for each of the assets held by IEP, using valuation techniques and assumptions management believed to be most representative of the ultimate realisation of the investments.

30. Deferred taxation

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Deferred taxation assets	2 996	1 890	106	–
Deferred taxation liabilities	(517)	(54)	–	–
Net deferred taxation assets	**2 479**	**1 836**	**106**	
The net deferred taxation assets arise from:				
Income and expenditure accruals	983	978	60	–
Expected credit loss on loans and advances to customers	425	382	–	–
Unrealised fair value adjustments on financial instruments	632	205	46	–
Losses carried forward	337	251	–	–
Deferred taxation on acquired intangibles	(47)	(61)	–	–
Revaluation of property	(253)	(291)	–	–
Fair value movements on cash flow hedge	316	318	–	–
Finance lease accounting	86	54	–	–
Net deferred taxation assets	**2 479**	**1 836**	**106**	**–**
Reconciliation of net deferred taxation assets/(liabilities):				
At the beginning of the year	1 836	1 160	–	–
Recovery to the income statement	235	255	106	–
Recovery directly in other comprehensive income	893	414	–	–
Disposals	(485)	–	–	–
Other	–	7	–	–
At the end of the year	**2 479**	**1 836**	**106**	**–**

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

31. Other assets

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Gross other assets	12 846	14 371	25	35
Expected credit loss on amortised cost	(1)	(90)	–	–
Net other assets	**12 845**	**14 281**	**25**	**35**
Settlement debtors	3 736	2 140	–	–
Trading properties	701	2 723	–	–
Prepayments and accruals	709	677	–	–
Trading initial margin	1 786	672	–	–
Investec For Business debtors	–	2 621	–	–
Commodities	1 782	1 163	–	–
Fee debtors	42	243	–	–
Corporate tax assets	45	123	–	–
Other	4 044	3 919	25	35
	12 845	**14 281**	**25**	**35**

32. Property and equipment

At 31 March R'million	Freehold properties	Right-of-use assets^	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
Group						
2020						
Cost						
At the beginning of the year	2 861	–	65	247	1 022	4 195
Additions	5	232	1	14	183	435
Disposals	–	–	–	(7)	(20)	(27)
Demerger of asset management	–	(48)	–	(30)	(167)	(245)
At the end of the year	**2 866**	**184**	**66**	**224**	**1 018**	**4 358**
Accumulated depreciation						
At the beginning of the year	(118)	–	(53)	(158)	(823)	(1 152)
Disposals	–	–	–	4	14	18
Demerger of asset management	–	11	–	14	121	146
Depreciation- continuing operations	(81)	(35)	(6)	(14)	(102)	(238)
Depreciation- discontinued operations	–	(11)	–	(4)	(24)	(39)
At the end of the year	**(199)**	**(35)**	**(59)**	**(158)**	**(814)**	**(1 265)**
Net carrying value	**2 667**	**149**	**7**	**66**	**204**	**3 093**
2019						
Cost						
At the beginning of the year	2 704	–	63	227	1 014	4 008
Acquisition of subsidiary undertaking	–	–	–	–	1	1
Additions	157	–	2	28	143	330
Disposals	–	–	(14)	(8)	(136)	(158)
Reclassifications	–	–	14	–	–	14
At the end of the year	**2 861**	**–**	**65**	**247**	**1 022**	**4 195**
Accumulated depreciation						
At the beginning of the year	(67)	–	(35)	(144)	(789)	(1 035)
Disposals	–	–	2	4	80	86
Depreciation	(51)	–	(6)	(18)	(114)	(189)
Reclassifications	–	–	(14)	–	–	(14)
At the end of the year	**(118)**	**–**	**(53)**	**(158)**	**(823)**	**(1 152)**
Net carrying value	**2 743**	**–**	**12**	**89**	**199**	**3 043**

^ *The group adopted IFRS 16 from 1 April 2019 and as a result recognised right-of-use assets included within additions of R197 million. The prior period comparatives have not been restated. Refer to Implementation of IFRS 16 note 57.*

Right-of-use assets primarily comprises property leases under IFRS 16.

33. Investment properties

At 31 March R'million	Group 2020	Group 2019
At the beginning of the year	18 425	19 439
Additions	1 711	229
Reclassifications *	(132)	–
Disposals	(239)	(626)
Fair value movement	(628)	(617)
At the end of the year	**19 137**	**18 425**

For total gains and losses on investment properties recognised in the income statement, refer to note 4.

All investment properties are classified as level 3 in the fair value hierarchy.

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and, to this, an appropriate market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

The following factors influence the equivalent yield applied by management when determining the fair value of a building:

- Vacancy rate
- Expected rental
- Lease term

The table below includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Significant unobservable inputs	*Definitions*
Expected Rental Value (ERV) Escalation clause	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

There are interrelationships between ERV, the long-term vacancy rate and the equivalent yield. However, a lower/(higher) vacancy rate would increase/(decrease) the ERV for a property.

Significant unobservable inputs	*Relationship between unobservable inputs and fair value measurement*
Expected Rental Value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value.
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value.
Long-term vacancy rate	Increases/(decreases) in the long-term vacancy rate would result in decreases/(increases) in the estimated fair value.

Given the high tenancy rate, the long-term vacancy rate may not always be applicable. At 31 March 2020 it was determined if the equivalent yield applied per property increases/(decreases) by 25 basis points the value of the portfolio of properties would decrease or increase by 5%. Across the properties held at 31 March 2019 it was determined that if the equivalent yield applied per property increase/(decreases) by 50 basis points the overall value of the properties would decrease by 5.36%or increase by 6.0%.

* During the year investment properties to the value of R1.3 billion has been reclassified from investment properties to non-current assets held for sale within Investec Property Fund. Non-current assets held-for-sale comprise solely of investment properties and therefore are excluded from the measurement scope of IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations* and continue to be measured according to the fair value model. During the year R1.2 billion has been reclassified to investment properties as there was a change in use of the property.

Further analysis of investment properties is in the risk management section on pages 75 to 77.

34. Goodwill

At 31 March R'million	2020	2019
Group		
Cost		
At the beginning of the year	1 457	1 454
Acquisitions	11	3
At the end of the year	**1 468**	**1 457**
Accumulated impairments		
At the beginning of the year	(1 246)	(1 243)
Impairments	(3)	(3)
At the end of the year	**(1 249)**	**(1 246)**
Net carrying value	**219**	**211**
Analysis of goodwill by line of business:		
Wealth & Investment	37	37
Specialist Banking	182	174
	219	**211**

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

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

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

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

The valuation is level 3 in the fair value hierarchy.

35. Intangible assets

At 31 March R'million	Acquired software	Internally generated software	Client relationships	Total
Group				
2020				
Cost				
At the beginning of the year	882	37	412	1 331
Additions	85	–	–	85
Disposals	(78)	(37)	–	(115)
At the end of the year	**889**	**–**	**412**	**1 301**
Accumulated amortisation and impairments				
At the beginning of the year	(698)	(23)	(192)	(913)
Disposals	53	23	–	76
Amortisation *	(95)	–	(51)	(146)
At the end of the year	**(740)**	**–**	**(243)**	**(983)**
Net carrying value	**149**	**–**	**169**	**318**
2019				
Cost				
At the beginning of the year	733	18	412	1 163
Acquisition of subsidiary undertaking	–	13	–	13
Additions	168	6	–	174
Disposals	(19)	–	–	(19)
At the end of the year	**882**	**37**	**412**	**1 331**
Accumulated depreciation				
At the beginning of the year	(606)	(4)	(141)	(751)
Disposals	2	–	–	2
Amortisation	(94)	(19)	(51)	(164)
At the end of the year	**(698)**	**(23)**	**(192)**	**(913)**
Net carrying value	**184**	**14**	**220**	**418**

* *Amortisation of acquired intangibles as disclosed in the income statement.*

36. Discontinued operations and disposal groups held for sale

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

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

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

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

Group

Gain on loss of control of Ninety One	R'million
The gain is calculated as follows:	
Fair value of the distributions	4 281
Investment in Ninety One measured at FVOCI (including holdings by Investec staff share schemes)	2 872
Net asset value of Ninety One derecognised previously consolidated at 13 March 2020	(985)
Non-controlling interest derecognised previously included in the consolidation of Ninety One at 13 March 2020	221
Foreign currency translation reserve recycled at 13 March 2020	(3)
Gain on the distribution of Ninety One shares (before tax and implementation costs)	**6 386**
Implementation costs	(486)
Gain on the distribution of Ninety One shares (before tax)	**5 900**
Taxation on gain	(297)
Gain on distribution of Ninety One shares (after taxation)	**5 603**
Major classes of assets and liabilities	
Insurance related assets	161 113
Loans and advances to banks	1 200
Remaining assets	1 115
Remaining liabilities	(162 443)
	985

Company

Gain on loss of control of Ninety One	R'million
The gain is calculated as follows:	
Fair value of the distributions	4 750
Investment in Investec Asset Management Holdings Proprietary Limited derecognised (refer to note 37)	(64)
Investment in Ninety One in Investec Investments Proprietary Limited (refer to note 37)	2 404
Capital contribution to parent	**7 090**
Implementation costs	(405)
Capital contribution to parent after implementation costs	**6 685**

The tables below present the income statement from discontinued operations for the year ended 31 March 2020 and 31 March 2019.

Consolidated income statement of discontinued operations

For the year ended 31 March **R'million**	**2020**	2019
Net interest income	74	92
Fee and commission income	3 631	3 291
Fee and commission expense	(95)	(65)
– balance sheet management and other trading activities	(2)	(1)
Other operating income	14	30
Operating income	**3 622**	**3 347**
Operating costs	(2 143)	(2 052)
Operating profit before goodwill, acquired intangibles, strategic actions and non-controlling interests	**1 479**	**1 295**
Profit attributable to non-controlling interests from discontinued operations	(210)	(176)
Operating profit	**1 269**	**1 119**
Gain on partial disposal of subsidiary and implementation costs	5 900	(13)
Profit before taxation	**7 169**	**1 106**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions and acquired intangibles	(395)	(361)
Taxation on acquired intangibles and partial disposal of subsidiary	(310)	4
Earnings attributable to shareholders from discontinued operations	**6 464**	**749**

37. Investment in subsidiaries

			Shares at book value		Loan advances to subsidiaries	
			R'million		R'million	
At 31 March	**Nature of business**	**Holding %**	**2020**	**2019**	**2020**	2019
Company						
Material direct subsidiaries of Investec Limited						
Investec Bank Limited#	Banking	100.0%	14 500	13 600	–	1 365
Investec Asset Management Holdings Proprietary Limited#	Investment holding	0% **	–	64	–	–
Investec Employee Benefits Holdings Proprietary Limited#	Investment holding	100.0%	669	726	–	–
Investec International Holdings (Gibraltar) Limited§	Investment holding	100.0%	218	218	–	–
Investec Securities Proprietary Limited#	Stockbroking	100.0%	157	157	–	–
Fedsure International Limited#	Investment holding	100.0%	316	316	–	–
Investec Property Group Holdings Proprietary Limited#	Investment holding	100.0%	*	*	–	–
Investec Markets Proprietary Limited#	Stockbroking	100.0%	1 000	500	–	–
Investec Investments Proprietary Limited#	Investment holding***	100.0%	2 460	*	–	–
Other subsidiaries			*	*	283	51
			19 320	**15 581**	**283**	**1 416**

* *Less than R1 million*
\# *South Africa*
§ *Gibraltar*

Loans to/(from) subsidiaries are unsecured, interest bearing, with no fixed terms of repayment.

Indirect material subsidiaries of Investec Limited	Nature of the business	Holding %
Investec Bank (Mauritius) Limited^	Banking	100.0%
Investec Property Proprietary Limited#	Property trading	100.0%
Reichmans Holdings Proprietary Limited and Investec Import Solutions Proprietary Limited#	Trade and asset financing and import logistics	100.0%
Investec Life Limited#	Long-term Insurance	100.0%
Investec Property Fund Limited #	Engage in long-term immovable property investment	24.3%

\# *South Africa*
^ *Mauritius*

Details of subsidiary which are not material to the financial position of the group are not stated above.

** Investec Asset Management Holdings Proprietary Limited, Investec Assurance Limited, Investec Asset Management Proprietary Limited, Investec Fund Managers SA (RF) Limited were all part of the asset management business which demerged from the group on 13 March 2020. For details on the demerger refer to note 36. The group held 80% in all these entities at 31 March 2019.

*** Increased investment in Investec Investments Proprietary Limited to facilitate the demerger of the asset management business (refer to note 36).

The group considers that it has control over Investec Property Fund Limited as a result of the common directors with the holding company and the impact this has on the beneficial returns. Management considers this holding to currently be sufficient to meet the definition of control.

Investec Employee Benefit Holdings Proprietary Limited and its subsidiaries are not consolidated for regulatory purposes:

There are no subsidiaries which are consolidated for regulatory, but not for accounting purposes.

37. Investment in subsidiaries *(continued)*

Consolidated structured entities

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

Name of principal structured entity	*Type of structured entity*
Fox Street 1 (RF) Limited	Securitised residential mortgages
Fox Street 2 (RF) Limited	Securitised residential mortgages
Fox Street 3 (RF) Limited	Securitised residential mortgages
Fox Street 4 (RF) Limited	Securitised residential mortgages
Fox Street 5 (RF) Limited	Securitised residential mortgages
Fox Street 6 (RF) Limited	Securitised residential mortgages
Fox Street 7 (RF) Limited	Securitised residential mortgages
Integer Home Loans Proprietary Limited	Securitised third-party originated residential mortgages

For additional detail on the assets and liabilities arising on securitisation refer to note 28.

Further details of the risks to which the group is exposed through its all of its securitisations are included in the risk management report on pages 77 and 78.

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

Securitised residential mortgages

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

Securitised third-party originated residential mortgages

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

Interest in Wealth & Investment Funds

Management has concluded that the investment funds in the Wealth & Investment business do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other support. Support transactions with these funds are conventional customer-supply relationships.

38. Long-term assurance business attributable to policyholders

At 31 March R'million	Group 2020	2019
Liabilities to customers under investment contracts		
Investec Life Limited	727	502
Investec Assurance Limited	–	153 920
	727	154 422
Insurance liabilities, including unit-linked liabilities – Investec Life Limited	53	55
	780	**154 477**
Investec Life Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	780	557
	780	**557**
Investments shown above comprise:		
Interest-bearing securities	241	219
Stocks, shares and unit trusts	539	218
Deposits	–	120
	780	**557**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	–	153 596
Debtors and prepayments	–	272
Other assets	–	52
	–	**153 920**
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	–	50 131
Stocks, shares and unit trusts	–	100 544
Deposits	–	2 921
	–	**153 596**

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies. Investec Assurance Limited was part of the asset management business which demerged from the group on 13 March 2020. For details on the demerger refer to note 36.

Assets related to the long-term assurance business attributable to policyholders are at fair value through profit and loss and are classified as level 1 in the fair value hierarchy.

39. Other trading liabilities

At 31 March R'million	Group 2020	Group 2019
Deposits	4 471	2 186
Short positions		
– Equities	4 040	6 750
– Gilts	149	2 196
	8 660	**11 132**

40. Debt securities in issue

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Repayable in:				
Less than three months	915	917	–	–
Three months to one year	1 882	2 092	–	–
One to five years	4 530	7 530	319	319
Greater than five years	307	1 789	–	–
	7 634	**12 328**	**319**	**319**

41. Other liabilities

At 31 March R'million	2020	2019	2020	2019
Settlement liabilities	5 468	2 938	7	7
Other non-interest-bearing liabilities	1 093	2 155	9	134
Other creditors and accruals*	5 467	4 500	1 507	724
Dividends Rewards Programme liability	644	623	–	–
Lease liabilities^	228	–	–	–
Long service employee benefits liability	150	–	8	–
Expected credit loss on off-balance sheet commitments and guarantees	64	38	–	–
	13 114	**10 254**	**1 531**	**865**

Reconciliation of lease liabilities

At 31 March R'000	2020
Balance at the beginning of the year	–
Adoption of IFRS 16	239
Interest	19
Additional leases	82
Repayment of lease liabilities	(57)
Demerger	(39)
Exchange rate adjustment	(16)
Balance at the end of the year	**228**

Lease liabilities included in other liabilities due in:

	2020	
At 31 March R'000	Undiscounted payments	Present value
Less than one year	60	58
One to five years	170	142
Later than five years	47	28
	277	**228**

* *Includes loan from group companies.*
^ *The group adopted IFRS 16 from 1 April 2019. The prior period comparatives have not been restated.*

42. Subordinated liabilities

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Issued by Investec Bank Limited				
IV019 indexed rate subordinated unsecured callable bonds	179	155	–	–
IV019A indexed rate subordinated unsecured callable bonds	374	371	–	–
IV025 variable rate subordinated unsecured callable bonds	–	1 000	–	–
IV026 variable rate subordinated unsecured callable bonds	–	750	–	–
IV030 indexed rate subordinated unsecured callable bonds	–	501	–	–
IV030A indexed rate subordinated unsecured callable bonds	–	424	–	–
IV031 variable rate subordinated unsecured callable bonds	–	500	–	–
IV033 variable rate subordinated unsecured callable bonds	159	159	–	–
IV034 fixed rate subordinated unsecured callable bonds	101	101	–	–
IV035 variable rate subordinated unsecured callable bonds	1 468	1 468	–	–
IV036 variable rate subordinated unsecured callable bonds	32	32	–	–
IV037 variable rate subordinated unsecured callable bonds	2 015	1 533	–	–
IV038 variable rate subordinated unsecured callable bonds	350	350	–	–
IV039 indexed rate subordinated unsecured callable bonds	187	179	–	–
IV040 variable rate subordinated unsecured callable bonds	589	589	–	–
IV041 fixed rate subordinated unsecured callable bonds	190	190	–	–
IV042 variable rate subordinated unsecured callable bonds	50	50	–	–
IV043 fixed rate subordinated unsecured callable bonds	150	150	–	–
IV044 variable rate subordinated unsecured callable bonds	240	240	–	–
IV045 indexed rate subordinated unsecured callable bonds	1 822	1 740	–	–
IV046 variable rate subordinated unsecured callable bonds	1 200	1 200	–	–
IV047 variable rate subordinated unsecured callable bonds	1 818	1 387	–	–
IV049 variable rate subordinated unsecured callable bonds	1 113	849	–	–
Issued by Investec Limited				
INLV02 variable rate subordinated unsecured callable bonds	276	276	276	276
INLV03 variable rate subordinated unsecured callable bonds	94	94	94	94
INLV04 variable rate subordinated unsecured callable bonds	255	255	255	255
INB001 variable rate subordinated unsecured callable bonds	1 721	1 314	1 721	1 314
	14 383	**15 857**	**2 346**	**1 939**
Remaining maturity:				
In one year or less, or on demand	260	3 175	–	–
In more than one year, but not more than two years	6 251	885	625	625
In more than two years, but not more than five years	7 872	10 948	1 721	1 314
In more than five years	–	849	–	–
	14 383	**15 857**	**2 346**	**1 939**
Reconciliation from opening balance to closing balance:				
Opening balance	15 857	15 013	1 939	1 638
Issue of subordinated liabilities	–	849	–	–
Redemption of subordinated liabilities	(3 175)	(1 210)	–	–
Consumer Price Index, effective interest rate adjustments and currency adjustments on foreign denominated bonds adjustment	1 701	1 205	407	301
Closing balance	**14 383**	**15 857**	**2 346**	**1 939**

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

42. Subordinated liabilities *(continued)*

IV019 indexed rate subordinated unsecured callable bonds

R179 million (2019: R155 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African Government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R374 million (2019: R371 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African Government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV025 variable rate subordinated unsecured callable bonds

Rnil (2019: R1 000 million) Investec Bank Limited IV025 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification or from 12 September 2019. These bonds were called on 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

Rnil (2019: R750 million) Investec Bank Limited IV026 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the three-month JIBAR plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification or from 27 September 2019. These bonds were called on 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

Rnil million (2019: R501 million) Investec Bank Limited IV030 locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African Government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2020. These bonds were called on 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

Rnil million (2019: R424 million) Investec Bank Limited IV030A locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030A is a replica of the I2025 South African Government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2020. These bonds were called on 31 January 2020.

IV031 variable rate subordinated unsecured callable bonds

Rnil (2019: R500 million) Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the three-month JIBAR plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 March 2020. These bonds were called on 11 March 2020.

IV033 variable rate subordinated unsecured callable bonds

R159 million Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualif1ication or from 11 February 2021.

IV034 fixed rate subordinated unsecured callable bonds

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

42. Subordinated liabilities *(continued)*

IV035 variable rate subordinated unsecured callable bonds

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

IV036 variable rate subordinated unsecured callable bonds

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

IV037 variable rate subordinated unsecured callable bonds

R2 015 million (2019: R1 533 million) Investec Bank Limited IV037 locally registered subordinated unsecured Tier II callable bonds are due in October 2026 and were issued at an issue price of $91 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 19 October 2021. The implied zero coupon yield is 6.29961713% nacq (ACT/360) up until; the 19 October 2021. If the issuer does not exercise the option to redeem the notes on 19 October 2021, then interest on the floating rate notes shall commence on 19 October 2021 and is payable quarterly on 19 January, 19 July, 19 April and 19 October at a rate equal to the three-month USD Libor plus 5.5% up to and excluding 19 October 2026. The maturity date is 19 October 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 19 October 2021.

IV038 variable rate subordinated unsecured callable bonds

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

IV039 indexed rate subordinated unsecured callable bonds

R187 million (2019: R179 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 31 January 2027. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 Jan 2022.

IV040 variable rate subordinated unsecured callable bonds

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

IV041 fixed rate subordinated unsecured callable bonds

R190 million Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV042 variable rate subordinated unsecured callable bonds

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

IV043 fixed rate subordinated unsecured callable bonds

R150 million Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date is 21 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

42. Subordinated liabilities *(continued)*

IV044 variable rate subordinated unsecured callable bonds

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

IV045 indexed rate subordinated unsecured callable bonds

R1 822 million (2019: R1 740 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 is a replica of the R212 South African Government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV046 variable rate subordinated unsecured callable bonds

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

IV047 variable rate subordinated unsecured callable bonds

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

IV049 variable rate subordinated unsecured callable bonds

R1 113 million (2019: R849 million) Investec Bank Limited IV049 locally registered subordinated unsecured callable bonds are due in 4 December 2028. Interest is payable quarterly in arrears on 4 March, 4 June and 4 September and 4 December at a rate equal to three-month JIBAR plus 3.413% basis points up to and excluding 4 March 2028. The maturity date is 4 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 4 March 2028.

INLV02 variable rate subordinated unsecured callable bonds

R276 million Investec Limited INVL02 locally registered subordinated unsecured callable bonds are due in October 2025. Interest is payable quarterly on 20 January, 20 April, 20 July and 20 October at a rate equal to the three-month JIBAR plus 3.7% up to and excluding 20 October 2025. The maturity date is 20 October 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 October 2020.

INLV03 variable rate subordinated unsecured callable bonds

R94 million INVL03 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.35% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INLV04 variable rate subordinated unsecured callable bonds

R255 million Investec Limited INVL04 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to 12.77% up to and excluding 7 April 2027. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INB001 variable rate subordinated unsecured callable bonds

$113 million Investec Limited INB001 locally registered subordinated unsecured Tier II callable bonds are due in December 2027 and were issued at an issue price of $84 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 28 December 2022. The implied zero coupon yield is 5.86482% nacq (ACT/360) up until; the 28 December 2022. If the issuer does not exercise the option to redeem the notes on 28 December 2022, then interest on the floating rate notes shall commence on 28 December 2022 and is payable quarterly on 28 March, 28 June, 28 September, 28 December at a rate equal to the three-month USD Libor plus 4% up to and excluding 28 December 2027. The maturity date is 28 December 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 28 December 2022.

43. Ordinary share capital

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Authorised				
450 000 000 (2019: 450 000 000) ordinary share of R0.0002 each				
Issued				
318 904 709 (2019: 318 904 709) ordinary share of R0.0002 each, fully paid	1	1	1	1

In terms of the dual listed companies structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Details of the share capital are set out in Investec's 2020 integrated annual report.

44. Perpetual preference shares

	Group		Company	
At 31 March **R'million**	**2020**	2019	**2020**	2019
Authorised				
100 000 000 (2019: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
20 000 000 (2019: 20 000 000) non-redeemable, non-participating preference shares with a par value of one cent each				
Issued				
32 214 499 (2019: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premium				
	3 183	3 183	3 183	3 183
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	3 183	3 183	3 183	3 183

* *Less than R1 million.*

Preference shareholders will be entitled to receive dividends, if declared, at a rate limited to 77.7% of prime on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.

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

45. Share premium

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Share premium on ordinary shares	6 113	10 393	5 694	10 444
Share premium on perpetual preference shares (refer to note 44)	3 183	3 183	3 183	3 183
	9 296	**13 576**	**8 877**	**13 627**

46. Treasury shares

At 31 March	2020	2019
	R'million	R'million
Treasury shares held by subsidiaries of Investec Limited		
Premium paid on options held to acquire Investec Limited shares	(279)	(279)
Investec Limited ordinary shares	3 271	1 831
	2 992	**1 552**
Number of Investec Limited ordinary shares held by subsidiaries	51 026 675	29 686 599
Reconciliation of treasury shares	**Number**	**Number**
At the beginning of the year	29 686 599	27 013 057
Purchase of own shares by subsidiary companies	38 699 807	14 012 480
Shares disposed of by subsidiaries	(17 359 731)	(11 338 938)
At the end of the year	**51 026 675**	**29 686 599**
	R'million	**R'million**
Market value of treasury shares	1 651	2 493

47. Other Additional Tier 1 securities in issue

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
INLVO1 variable rate subordinated unsecured callable bonds	550	550	550	550
INLVO5 variable rate subordinated unsecured callable bonds	350	350	350	350
IV050 variable rate subordinated unsecured callable bonds	110	110	–	–
	1 010	**1 010**	**900**	**900**

INLVO1 variable rate subordinated unsecured callable bonds

Investec Limited issued R550 million other Additional Tier 1 floating rate notes on 14 August 2014. Interest is payable quarterly on 22 March, 22 June, 22 September, 22 December and at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer.

INLVO5 variable rate subordinated unsecured callable bonds

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

IV050 variable rate subordinated unsecured callable bonds

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

48. Non-controlling interests

At 31 March R'million	Group 2020	Group 2019
Perpetual preference shares issued by Investec Bank Limited	1 534	1 534
Non-controlling interests in partially held subsidiaries	11 045	9 922
	12 579	11 456

Perpetual preference shares issued by Investec Bank Limited

Authorised

70 000 0000 (2019: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each

Issued

15 447 630 (2019: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums.

Preference shareholders will be entitled to receive dividends if declared, at a rate of 83.33% of prime on R100 being the deemed value of the issue price of the preference share of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.

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

The following table summarises the information relating to the group's partially held subsidiaries which have material non-controlling interests:

	Investec Asset Management Holdings Group*		Investec Property Fund Limited	
	2020	2019	**2020**	2019
Non-controlling interests (NCI) (%)	0.0%	20.0%	75.7%	73.4%
Summarised financial information (R'million)				
Total assets	–	157 223	31 408	21 670
Total liabilities	–	155 730	16 763	8 539
Revenue	3 682	3 360	1 773	1 844
Profit before taxation	1 020	1 282	1 714	1 441
Carrying amount of NCI	–	313	11 045	9 613
Dividends to NCI	290	180	779	748
Profit allocated to NCI	211	176	1 258	1 050

* *On 13 March 2020, the group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. The loss of control of Investec Asset Management was effected through the distribution of Ninety One shares to shareholders. Further details relating to the demerger are provided on note 36.*

The reduction in the shareholding of IPF is as a result of the group not participating in a share issue and is reflected in the statement of changes in equity as the line item "Movement in non-controlling interests due to share issues in subsidiary".

49. Finance lease disclosures

	Group			
	2020		2019	
R'million	**Total future minimum payments**	**Present value**	Total future minimum payments	Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	1 731	1 504	1 580	1 337
One to five years	1 489	1 278	1 210	1 060
	3 220	**2 782**	**2 790**	**2 397**
Unearned finance Income	**438**		**393**	

At 31 March 2020 and 31 March 2019, there were no unguaranteed residual values.

50. Notes to cash flow statement

At 31 March R'million	Group 2020	Group 2019	Company 2020	Company 2019
Profit before taxation adjusted for non-cash items is derived as follows:				
Profit before taxation	12 911	8 074	2 625	2 386
Adjustments for non-cash items included in net income before taxation:				
Impairment of goodwill	3	3	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	333	301	–	–
Amortisation of acquired intangibles	51	51	–	–
Expected credit loss impairment charges excluding ECL on cash and cash equivalents	1 122	759	–	–
Share of post-taxation profit of associates and joint ventures	(311)	(1 163)	–	–
Share-based payment charges	592	650	–	–
Fair value gains on investment properties	628	617	–	–
Gain on partial disposal of subsidiary and implementation costs	(5 603)	9	405	(357)
Impairment of associates and joint venture holdings	937	–	–	–
	10 663	**9 301**	**3 030**	**2 029**
Increase in operating assets				
Loans and advances to banks	1 904	(1 203)	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	(8 034)	3 002	–	–
Sovereign debt securities	(6 245)	1 380	–	–
Bank debt securities	(648)	(4 660)	–	–
Other debt securities	(1 979)	(2 054)	–	–
Derivative financial instruments	(9 691)	4 962	–	–
Securities arising from trading activities	9 713	(7 790)	–	–
Investment portfolio	(3 800)	(2 025)	3	7
Loans and advances to customers	(16 192)	(14 854)	–	–
Own originated loans and advances to customers securitised	475	(42)	–	–
Other loans and advances	87	(64)	–	–
Other securitised assets	(203)	5	–	–
Other assets	601	(297)	10	5
Investment properties	(1 340)	397	–	–
Assurance assets	(7 415)	(13 406)	–	–
Non-current assets held for sale	(1 305)	–	–	–
	(44 072)	**(36 649)**	**13**	**12**
Increase in operating liabilities				
Deposits by banks	15 099	3 942	–	–
Derivative financial instruments	11 353	(4 796)	–	–
Other trading liabilities	(2 472)	(3 106)	–	–
Repurchase agreements and cash collateral on securities lent	11 368	6 590	–	–
Customer accounts (deposits)	30 603	17 260	–	–
Debt securities in issue	(4 694)	5 443	–	(213)
Liabilities arising on securitisation of own originated loans and advances	(21)	(554)	–	–
Other liabilities	3 588	84	658	311
Assurance liabilities	7 415	13 406	–	–
	72 239	**38 269**	**658**	**98**

51. Related-party transactions

At 31 March R'million	Group 2020*	2019
Compensation to key management personnel		
Short-term employee benefits	243	306
Other long-term employee benefits	126	82
Share-based payments	126	143

www For information on overall compensation to key management personnel, refer to the remuneration report in volume two of the Investec group's 2020 integrated annual report.

Transactions, arrangements and agreements involving key management personnel

Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:

Key management personnel and connected persons and companies controlled by them:		
Loans		
At the beginning of the year	845	620
Increase in loans	121	226
Decrease in loans**	(794)	(5)
Exchange adjustments	–	4
At the end of the year	**172**	**845**
Guarantees		
At the beginning of the year	257	7
Additional guarantees granted	13	252
Decrease in guarantees**	(257)	–
Exchange adjustments	–	(2)
At the end of the year	**13**	**257**
Deposits		
At the beginning of the year	(677)	(475)
Increase in deposits	(67)	(231)
Decrease in deposits**	479	28
Exchange adjustments	(1)	1
At the end of the year	**(266)**	**(677)**

* *March 2020 balances do not include directors who resigned during the course of year*

** *Decrease includes changes in leadership during the current year.*

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

51. Related-party transactions *(continued)*

At 31 March R'million	Group 2020	Group 2019
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	777	51
Reverse repurchase agreements and cash collateral on securities borrowed	474	370
Loans and advances to customers	178	269
Other debt securities	1 664	695
Derivative financial instruments	239	405
Other assets	933	419
Liabilities		
Deposits from banks	203	342
Customer accounts (deposits)	–	–
Repurchase agreements and cash collateral on securities lent	–	–
Derivative financial instruments	80	59
Debt securities in issue	–	–
Other liabilities	540	262
Income statement		
Interest income	56	47
Interest expense	7	9
The above outstanding balances arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.		
Where related parties have investment products (that may not be included in funds under management) offered to clients on terms and conditions in the ordinary course of business, these have not been included above as the group does not carry any exposure relating to these transactions (they are at client risk).		
In the normal course of business, services are rendered between Investec plc and Investec Bank Limited entities. In the year to 31 March 2020, this resulted in a net payment by Investec plc group of R323.1 million (2019: R690.9 million).		
Transactions with associates and joint ventures		
Amounts due from associates and its subsidiaries	12 700	3 649
Interest income from loans to associates	319	122
Interest expense from loans to associates	89	91
The above outstanding balances arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.		

For related party transactions within the company, refer to note 37.

52. Commitments

At 31 March R'million	Group 2020	Group 2019
Undrawn facilities	56 024	55 970
	56 024	**55 970**
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.		
Operating lease commitments*		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	–	117
One to five years	–	307
	–	**424**

* *The group adopted IFRS 16 Leases which replaced IAS 17 Leases; this resulted in the group recognising a lease liability in other liabilities and a right of use (ROU) asset instead of operating lease commitments.*

Pledged assets

At 31 March R'million	2020 Carrying amount of pledged asset	2020 Carrying value of related liability repurchase agreements and cash collateral on securities lent	2019 Carrying amount of pledged asset	2019 Carrying value of related liability repurchase agreements and cash collateral on securities lent
Group				
Loans and advances to banks	304	307	–	–
Sovereign debt securities	22 670	19 499	5 977	5 385
Bank debt securities	1 031	933	2 259	2 106
Other debt securities	2 337	2 544	–	–
Securities arising from trading activities	1 542	1 679	4 542	4 542
	27 884	**24 962**	**12 778**	**12 033**

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

53. Contingent liabilities

At 31 March R'million	Group 2020	2019
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	21 853	15 311
	21 853	**15 311**

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

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

Legal proceedings

The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. These claims, if any, cannot be reasonably estimated at this time but the group does not expect the ultimate resolution of any of the proceedings to which the group is party to have a significant adverse effect on the financial position of the group.

54. Hedges

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

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

Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

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

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group						
2020						
Interest rate swap	**Bonds**	**(2 184)**	**(2 184)**	**(1 432)**	**2 178**	**1 425**
2019						
Interest rate swap	Bonds	(729)	(404)	(177)	329	(13)
Company						
2020						
Interest rate swap	**Bonds**	**–**	**–**	**–**	**–**	**–**
2019						
Interest rate swap	Bonds	12	(12)	6	12	(6)

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

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

Carrying amount of the hedged item

At 31 March R'million	**2020**	2019
Assets		
Sovereign debt securities	30 705	46 181
Bank debt securities	5 221	6 515
Other debt securities	3 987	8 112
Liabilities		
Subordinated liabilities	–	429

54. Hedges *(continued)*

Maturity analysis of hedged item

At 31 March R'million	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
2020							
Assets – notionals							
Sovereign debt securities	–	–	10 634	–	3 077	17 467	31 178
Bank debt securities	–	–	–	109	5 413	–	5 522
Other debt securities	–	–	111	1 633	1 439	1 247	4 430
Liabilities – notionals							
Subordinated liabilities	–	–	–	–	–	–	–
2019							
Assets – notionals							
Sovereign debt securities	233	573	6 025	5 216	2 801	3 739	18 587
Bank debt securities	–	104	–	–	1 248	1 601	2 953
Other debt securities	170	–	–	–	962	310	1 442
Liabilities – notionals							
Subordinated liabilities	–	–	–	–	441	–	441

There was no ineffective portion recognised in the income statement.

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

Cash flow hedges

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

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
Group			
2020			
Cross-currency swap	Bonds	(2 585)	Three months
Forward exchange contracts	Dividends	78	Three months
2019			
Cross-currency swap	Bonds	(1 251)	Three months
Forward exchange contracts	Dividends	78	Three months

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

Realisations to the income statement for cash flow hedges of (R262 million) [2019: (R490 million)] are included in net interest income.

There are R78 million (2019: R78 million) accumulated cash flow hedge reserves for hedged items that have ceased to be adjusted for hedging gains and losses.

There was no ineffective portion recognised in the income statement in the current year.

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

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

For an unaudited analysis based on discounted cash flows please refer to pages 87.

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	**Total**
Group								
2020								
Liabilities								
Deposits by banks	378	1 246	1 067	4 975	110	38 881	398	47 055
Derivative financial instruments	21 944	381	–	–	–	137	7	22 469
– held-for-trading	21 944	–	–	–	–	–	–	21 944
– held for hedging risk	–	381	–	–	–	137	7	525
Other trading liabilities	8 660	–	–	–	–	–	–	8 660
Repurchase agreements and cash collateral on securities lent	3 175	6 658	14 682	42	85	866	2 238	27 746
Customer accounts (deposits)	174 288	35 752	47 911	30 988	40 616	46 536	3 343	379 434
Debt securities in issue	–	414	203	371	1 864	4 613	307	7 772
Liabilities arising on securitisation of own originated loans and advances	–	–	15	52	52	385	1 285	1 789
Liabilities arising on securitisation of other assets	–	–	–	–	–	–	–	–
Other liabilities	2 576	3 253	3 286	3 170	230	1 417	76	14 008
Subordinated liabilities	7	60	83	194	337	15 142	–	15 823
Total on balance sheet liabilities	**211 028**	**47 764**	**67 247**	**39 792**	**43 294**	**107 977**	**7 654**	**524 756**
Contingent liabilities	4 513	2	5 227	508	479	11 481	4 371	26 581
Commitments	5 296	–	8 152	1 271	2 016	14 482	24 810	56 027
Total liabilities	**220 837**	**47 766**	**80 626**	**41 571**	**45 789**	**133 940**	**36 835**	**607 364**

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

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2019								
Liabilities								
Deposits by banks	351	8 852	1 796	395	513	20 097	–	32 004
Derivative financial instruments	11 097	14	–	–	–	–	–	11 111
– held-for-trading	11 040	–	–	–	–	–	–	11 040
– held for hedging risk	57	14	–	–	–	–	–	71
Other trading liabilities	11 132	–	–	–	–	–	–	11 132
Repurchase agreements and cash collateral on securities lent	7 742	4 226	566	341	372	870	2 403	16 520
Customer accounts (deposits)	130 828	38 012	43 132	36 005	55 087	41 355	1 096	345 515
Debt securities in issue	–	206	711	681	1 455	7 624	1 788	12 465
Liabilities arising on securitisation of own originated loans and advances	–	–	75	75	106	21	1 584	1 861
Other liabilities	4 367	1 148	2 716	756	246	1 048	21	10 302
Subordinated liabilities	7	60	137	1 932	1 906	13 414	–	17 456
Total on balance sheet liabilities	**165 524**	**52 518**	**49 133**	**40 185**	**59 685**	**84 429**	**6 892**	**458 366**
Contingent liabilities	3 603	50	4 854	2 058	972	4 638	292	16 467
Commitments	5 037	432	7 681	1 510	4 246	14 040	23 024	55 970
Total liabilities	**174 164**	**53 000**	**61 668**	**43 753**	**64 903**	**103 107**	**30 208**	**530 803**

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2020								
Liabilities								
Debt securities in issue	–	–	–	–	–	–	319	319
Other liabilities	901	5	566	45	7	8	–	1 532
Subordinated liabilities	–	7	3	26	36	2 297	–	2 369
Total on balance sheet liabilities	**901**	**12**	**569**	**71**	**43**	**2 305**	**319**	**4 220**

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2019								
Liabilities								
Debt securities in issue	–	–	–	–	–	319	–	319
Other liabilities	13	4	127	478	–	7	–	629
Subordinated liabilities	–	7	3	26	36	1 889	–	1 961
Total on balance sheet liabilities	**13**	**11**	**130**	**504**	**36**	**2 215**	**–**	**2 909**

56. Offsetting

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
At 31 March R'million	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	**Net amount**
Group					
2020					
Assets					
Cash and balances at central banks	36 656	–	36 656	–	36 656
Loans and advances to banks	34 426	(14 890)	19 536	(304)	19 232
Non-sovereign and non-bank cash placements	14 014	–	14 014	–	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	29 626	–	29 626	–	29 626
Sovereign debt securities	64 358	–	64 358	(22 670)	41 688
Bank debt securities	12 265	–	12 265	(1 031)	11 234
Other debt securities	17 337	–	17 337	(2 337)	15 000
Derivative financial instruments	31 711	(14 280)	17 431	(9 381)	8 050
Securities arising from trading activities	16 125	(5 759)	10 366	(1 542)	8 824
Investment portfolio	16 564	–	16 564	–	16 564
Loans and advances to customers	284 308	(2 622)	281 686	–	281 686
Own originated loans and advances to customers securitised	7 192	–	7 192	–	7 192
Other loans and advances	242	–	242	–	242
Other securitised assets	497	–	497	–	497
Other assets	12 845	–	12 845	–	12 845
	578 166	**(37 551)**	**540 615**	**(37 265)**	**503 350**
Liabilities					
Deposits by banks	50 424	(3 591)	46 833	–	46 833
Derivative financial instruments	48 048	(25 579)	22 469	(9 381)	13 088
Other trading liabilities	8 660	–	8 660	–	8 660
Repurchase agreements and cash collateral on securities lent	26 626	–	26 626	(24 824)	1 802
Customer accounts (deposits)	378 078	(2 622)	375 456	–	375 456
Debt securities in issue	7 634	–	7 634	–	7 634
Liabilities arising on securitisation of own originated loans and advances	1 699	–	1 699	–	1 699
Liabilities arising on securitisation of other assets	–	–	–	–	–
Other liabilities	18 873	(5 759)	13 114	–	13 114
Subordinated liabilities	14 383	–	14 383	–	14 383
	554 425	**(37 551)**	**516 874**	**(34 205)**	**482 669**

56. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
At 31 March R'million	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	**Net amount**
Group					
2019					
Assets					
Cash and balances at central banks	10 290	–	10 290	–	10 290
Loans and advances to banks	29 210	(7 085)	22 125	–	22 125
Non-sovereign and non-bank cash placements	12 192	–	12 192	–	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	21 346	–	21 346	(1 199)	20 147
Sovereign debt securities	60 893	–	60 893	(5 977)	54 916
Bank debt securities	12 502	–	12 502	(2 259)	10 243
Other debt securities	13 580	–	13 580	–	13 580
Derivative financial instruments	11 543	(3 807)	7 736	(3 101)	4 635
Securities arising from trading activities	20 079	–	20 079	(4 542)	15 537
Investment portfolio	10 070	–	10 070	–	10 070
Loans and advances to customers	265 916	(2 379)	263 537	–	263 537
Own originated loans and advances to customers securitised	7 667	–	7 667	–	7 667
Other loans and advances	329	–	329	–	329
Other securitised assets	294	–	294	–	294
Other assets	14 281	–	14 281	–	14 281
	490 192	**(13 271)**	**476 921**	**(17 078)**	**459 843**
Liabilities					
Deposits by banks	32 526	(791)	31 735	–	31 735
Derivative financial instruments	21 212	(10 101)	11 111	(3 101)	8 010
Other trading liabilities	11 132	–	11 132	–	11 132
Repurchase agreements and cash collateral on securities lent	15 234	–	15 234	(12 034)	3 200
Customer accounts (deposits)	343 957	(2 379)	341 578	–	341 578
Debt securities in issue	12 328	–	12 328	–	12 328
Liabilities arising on securitisation of own originated loans and advances	1 720	–	1 720	–	1 720
Other liabilities	10 254	–	10 254	–	10 254
Subordinated liabilities	15 857	–	15 857	–	15 857
	464 220	**(13 271)**	**450 949**	**(15 135)**	**435 814**

57. Changes in accounting policies

Implementation of IFRS 16

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will with some limited exemptions, apply to all leases and result in bringing them on balance sheet. Operating lease commitments as at 31 March 2019 amounted to R424 million. Lease liabilities amounting to R239 million, primarily in respect of leased properties, previously accounted for as operating leases, were recognised at 1 April 2019. Excluding the effect of discounting, the difference between the commitments previously reported and the opening lease liabilities principally arises due to immaterial differences between commitments previously disclosed and the accounting treatment of options which are available to exercise at the end of certain lease contracts which leads to a lower balance under IFRS 16 than was part of the commitment under IAS 17. The difference amounted to approximately R185 million.

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

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when lease payments are made. The right of use asset is being depreciated in the income statement over the life of the lease.

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

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

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

The impact on adoption was the recognition of ROU assets of R197 million and lease liabilities of R239 million, with no impact on retained income. An existing accrual of R42 million was adjusted against the ROU assets.

58. Events after the reporting period

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard-setting bodies.

The action of various governments and central banks, in particular in South Africa, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict. Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In South Africa various government and social programmes were launched, aimed at reducing the impact of COVID-19 and to stimulate the economy.

The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 16 June 2020 did not identify additional information that requires these judgements and estimates to be updated. The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a further extended period than forecasted this could put upward pressure on the group ECLs and downward pressure on other valuations.

Management performed a detailed assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate. This process included a review of changes in underlying credit risk of loans and advances, evaluating changes in assumptions of fair value calculations, evaluating significant movements on the share price of listed investments and evaluating the level of financial assistance provided to clients compared to the balance sheet date.

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

The following abbreviations have been used throughout this report:

ADR Forum	Arrears, Recovery and Default Forum
AGM	Annual general meeting
AI	Artificial Intelligence
AIRB	Advanced Internal Ratings-Based
AML	Anti-money laundering
AUM	Assets under management
BASA	Banking Association of South Africa
BCBS	Basel Committee of Banking Supervision
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDS	Credit default swap
CEM	Current exposure method
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFT	Combating the financing of terrorism
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRISA	Code for Responsible Investing in South Africa
CRO	Chief Risk Officer
CVA	Credit valuation adjustment
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC SEC	DLC Social and Ethics Committee
D-SIB	Domestic systemically important bank
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
ESG	Environmental, social and governance
FIRB	Foundation Internal Ratings-Based
FSLAB	Financial Sector Laws Amendment Bill
FSR Act	Financial Sector Regulation Act 9 of 2017
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GISD	UN Global Investment for Sustainable Development
GRRRMF	Group Risk Review and Reserves Matters Forum
HLA	Higher loss-absorbency
HNW	High net worth
HR	Human resources
IAM	Investec Asset Management
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBL ERC	IBL Executive Risk Committee
IBL Review ERRF	IBL Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
ICR	Individual capital requirement
IEP	IEP Group
IFB	Investec for Business
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
IP	Investec Property
IPF	Investec Property Fund
IRB	Internal Ratings-Based
IRRBB	Interest Rate Risk in the Banking Book
IW&I	Investec Wealth & Investment
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LHS	Left hand side
LSE	London Stock Exchange
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
PCAF	Partnership for Carbon Accounting Financials
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RPA technologies	Robotic Process Automation technologies
RWA	Risk-weighted asset
SA	South Africa
SA-CCR	Standardised Approach to Counterparty Credit Risk
SDGs	Sustainable Development Goals
SIFI	Systemically important financial institution
SME	Small and Medium-sized Enterprises
SMMEs	Small, Medium & Micro Enterprises
SOE	State-owned Enterprise
South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
TCFD	Task Force on Climate-related Financial Disclosures
tCO_2e	Tonnes of CO_2 emissions
UKLA	United Kingdom Listing Authority
UN	United Nations
UN GISD	United Nations Global Investment for Sustainable Development
VaR	Value at Risk
WACC	Weighted average cost of capital
YES	Youth Employment Service

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 have been indicated with a ◆ symbol throughout this document. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

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

Investec's external auditor, Ernst & Young Inc., issued a limited assurance report in respect of the alternative performance measures. The limited assurance report is available for inspection at Investec's registered address.

Adjusted earnings attributable to ordinary shareholders	Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional tier 1 security holders
Adjusted operating profit	Refer to calculation in the table below

R'million	**31 March 2020**	31 March 2019
Operating profit before goodwill and acquired intangibles	6 523	6 842
Add: Profit/Loss attributable to other non-controlling interests	(1 258)	(1 049)
Adjusted operating profit	**5 265**	**5 793**

Annuity income	Net interest income (refer to page 201) plus net annuity fees and commissions (refer to page 202)
Core loans to equity	Net core loans and advances divided by total shareholder's equity per the balance sheet
Cost to income ratio	Refer to calculation in the table below

R'million	**31 March 2020**	31 March 2019
Operating costs (A)	8 307	8 136
Total operating income before expected credit losses	15 939	15 739
Less: Profit attributable to other non-controlling interests	(1 258)	(1 049)
Total (B)	**14 681**	**14 690**
Cost to income ratio (A/B)	**56.6%**	**55.4%**

Coverage ratio	ECL as a percentage of gross core loans and advances subject to ECL
Credit loss ratio	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL
Gearing ratio	Total assets excluding assurance assets divided by total equity
Gross core loans and advances	Refer to calculation on page 67
Loans and advances to customers as a % of customer accounts	Loans and advances to customers as a percentage of customer accounts (deposits)
Net core loans and advances	Refer to calculation on page 67
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 201
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

Cash and near cash

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

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post taxation profit of associates and joint venture holdings

Third party assets under management

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

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 201 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 201 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 and FVOCI 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. Refer to page 67 for core loans and advances subject to ECL

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet. Refer to page 78 for detail

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