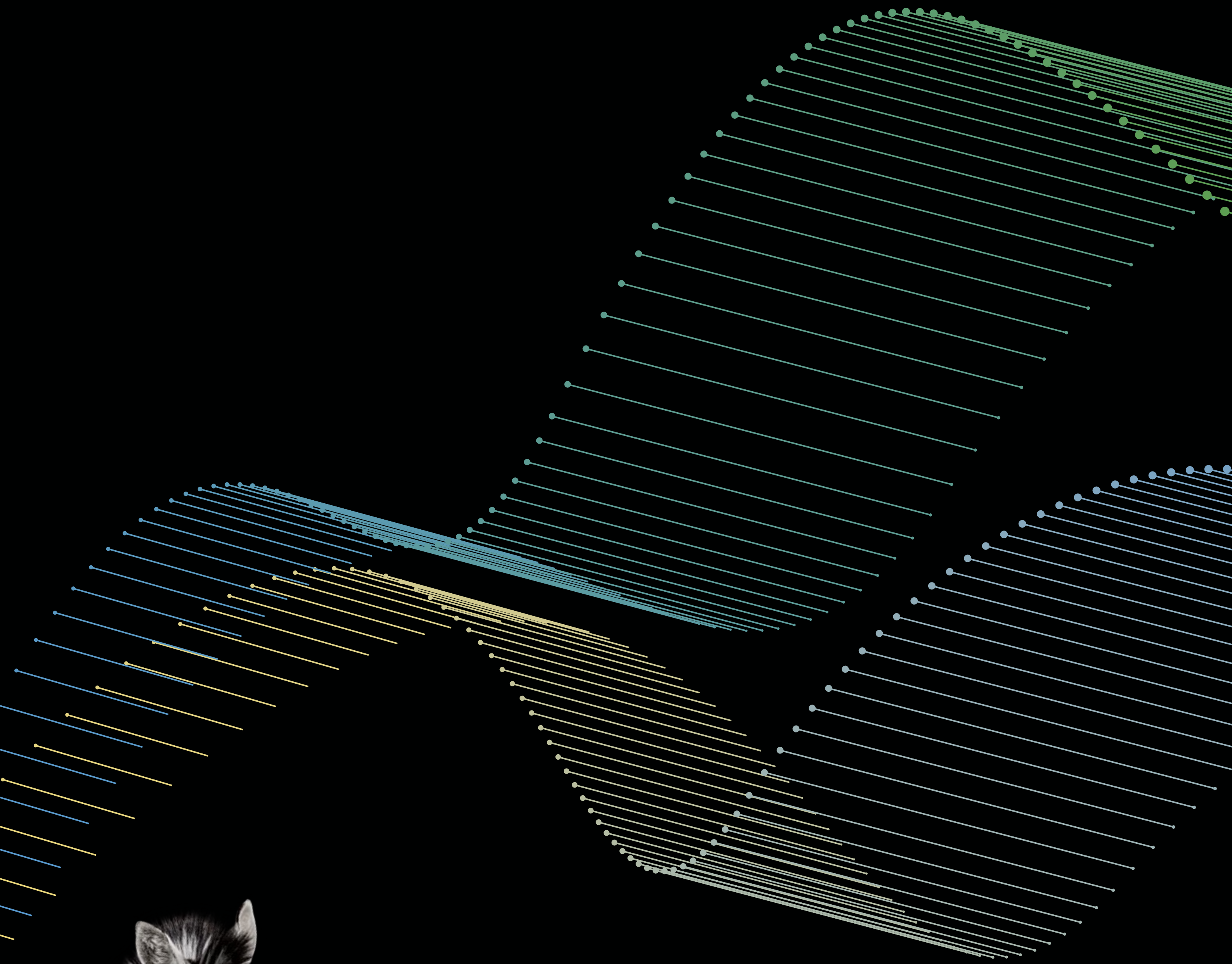
Investec

ANNUAL REPORT 2019

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

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

CORPORATE SUSTAINABILITY
Refers readers to further information in our 2019 corporate sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

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1

OPERATIONAL AND STRATEGIC OVERVIEW

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

1

Operating structure

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

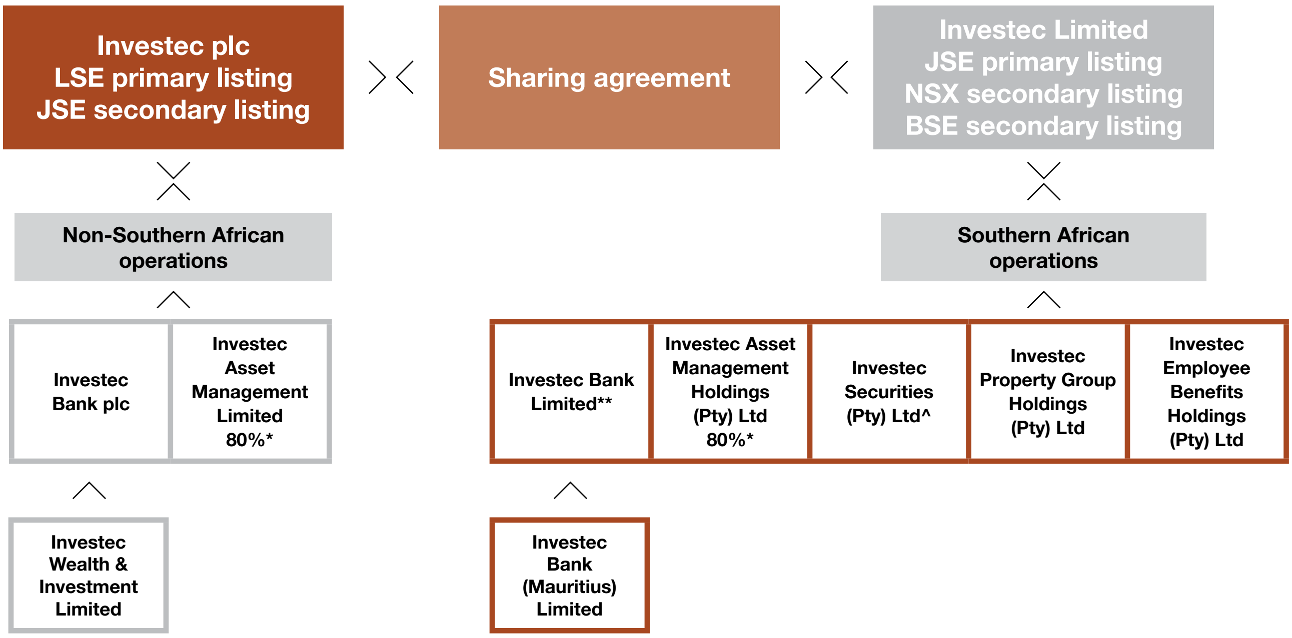
During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

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

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

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

Our DLC structure and main operating subsidiaries at 31 March 2019



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

* *Senior management in the company hold 20% minus one share (31 March 2018: 17%).*
** *JSE listed preference shares in issue.*
^ *Houses the Wealth & Investment business.*

Salient features of the DLC structure

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

Asset Management

At Investec Asset Management, we believe in investing in a better tomorrow. We want to assist people around the globe to retire with dignity or meet their financial objectives by offering specialist, active investment management. We take a patient, long-term approach to organically develop our capabilities. We offer a combination of outcomes-based and alpha-seeking investment strategies. Our clients include some of the world's largest private and public sector pension funds, financial institutions, corporates, foundations, central banks and intermediaries serving individual investors.

Founded in 1991 with roots in emerging markets, we have grown to be a well established and trusted global investment manager. Driven by our founder culture, we are building an enduring inter-generational business, which offers stability and a long-term investment outlook for our clients. To achieve this, we believe diversity of thought, perspective, background and life experience is essential.

Our investment team of over 200 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our clients around the globe. These teams are supported by our global investment and operational structure.

We manage approximately R2.1 trillion assets globally, with R666 billion managed by our South African business.

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 private client investment managers in South Africa.

The business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities.

We manage approximately R1 trillion assets globally, with R301 billion managed by our South African business.

Specialist Banking

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

Each business provides specialised products and services to defined target market clients

Focus on helping our clients create and preserve wealth	**A highly valued partner and adviser to our clients**		
High-income and high net worth private clients	**Corporates/government/institutional clients**		
Private Banking	*Corporate and Institutional Banking*	*Investec for Business*	*Investment Banking and Principal Investments*
– Transactional banking – Lending – Property finance – Savings	– Specialised Lending – Treasury and trading solutions – Institutional research, sales and trading	– Import and trade finance borrowing – Cash flow lending – Asset finance	– Principal investments – Property investment and fund management – 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. Our property business focuses on property fund management and property investments. 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

Asset Management

Value proposition

- An organically built global investment manager with emerging market origins
- Competitive investment performance in chosen specialities
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership
- A commitment to investing for a sustainable future
- Independently managed entity within the Investec group.

Wealth & Investment

Value proposition

- 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
- Strategy to internationalise within jurisdictions where the Investec group already has an established business
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

Specialist Banking

Value proposition

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

Business leaders:

Asset Management co-chief executive officers*
John Green, Domenico (Mimi) Ferrini

Wealth & Investment global head^
Steve Elliott

Wealth & Investment SA head^
Henry Blumenthal

Specialist Banking SA head
Richard Wainwright

* *Hendrik du Toit became joint CEO of Investec group on 1 October 2018, following which John Green and Domenico (Mimi) Ferrini assumed their roles as co-chief executive officers.*

^ *Steve Elliott will be retiring; as of 1 October 2019, Henry Blumenthal and Jonathan Wragg will assume the role of joint global heads of Wealth & Investment.*

OUR OPERATIONAL FOOTPRINT

Where we operate

South Africa

Strong brand and positioning

One of the largest asset managers with track record of growth and innovation

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 1997

Focus on corporate, institutional and private client banking activities

OPERATING ENVIRONMENT INDICATORS

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance.

	As at 31 March 2019	As at 31 March 2018	% change	Average over the year 1 April 2018 to 31 March 2019
Market indicators				
FTSE All share	3 978	3 894	2.2%	4 003
JSE All share	56 463	55 475	1.8%	55 348
S&P	2 834	2 641	7.3%	2 740
Nikkei	21 206	21 454	(1.2%)	21 968
Dow Jones	25 929	24 103	7.6%	25 038
Rates				
SA R186	8.60%	7.99%		8.80%
Rand overnight	6.73%	6.76%		6.57%
SA prime overdraft rate	10.25%	10.00%		10.09%
JIBAR – three month	7.15%	6.87%		7.03%
US 10 year	2.41%	2.74%		2.89%
Commodities				
Gold	US$1 295/oz	US$1 324/oz	(2.2%)	US$1 263/oz
Brent Crude Oil	US$68/bbl	US$70/bbl	(2.9%)	US$71/bbl
Platinum	US$841/oz	US$936/oz	(10.1%)	US$841/oz
Macro-economic				
South Africa GDP (% change over the period)	0.8%	1.3%		
South Africa per capita GDP (Real value in Rands for calendar year 2018 and 2017)	55 595	55 930	(0.6%)	

Sources: Burea for Economic Research, Bloomberg, IRESS, Johannesburg Stock Exchange, SARB Quarterly Bulletin, World Economic Forum.

Growth in key earnings drivers

Adjusted operating profit*⊙ increased 1.8%

R7 088 million

(2018: R6 962 million)

Headling earnings attributable to ordinary shareholders increased 3.9%

R5 704 million

(2018: R5 490 million)

- The group has delivered a resilient performance against a challenging backdrop.
- The Asset Management business generated net inflows supporting higher average funds under management and annuity fees, partially offset by lower performance fees.
- The Wealth & Investment business generated positive discretionary net inflows, however earnings were impacted by lower brokerage volumes and weak markets affecting the level of funds under management.
- Earnings in the Specialist Banking business were supported by growth in private client interest and fee income and an increase in associate earnings from a realisation in the IEP Group. This was partially offset by subdued corporate activity levels and a weaker performance from the equity and investment property portfolios; impacted by a weak domestic economy. Overall net core loans and advances grew 5.6% to R271.2 billion at 31 March 2019 (31 March 2018: R256.7 billion).
- The credit loss ratio remained flat at 0.28% (2018: 0.28%), remaining at the lower end of its long term average trend.
- Costs increased ahead of revenue, impacted by a lower premises charge in the prior year (resulting from the rental provision release). Revenue growth and cost containment remain priorities as outlined over the past year.
- Overall, Investec Limited reported an adjusted operating profit*⊙ of R7 088 million (2018: R6 962 million).

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

⊙ ***Alternative performance measures***
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. These measures are highlighted with the symbol⊙. The definition of alternative performance measures is provided in the definitions section of this report.

Financial performance

Adjusted operating profit*® increased 1.8%	**2019** **R7 088mn** 2018 R6 962mn
Customer deposits increased 6.1%	**2019** **R341.6bn** 2018 R321.8bn
Net core loans and advances increased 5.6%	**2019** **R271.2bn** 2018 R256.7bn
Loans to deposit ratio®	**2019** **77.2%** 2018 77.4%
Third party assets under management increased 8.5%	**2019** **R972.3bn** 2018 R896.2bn

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

** *The Investec group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. Refer to definitions page.*

® ***Alternative performance measures***
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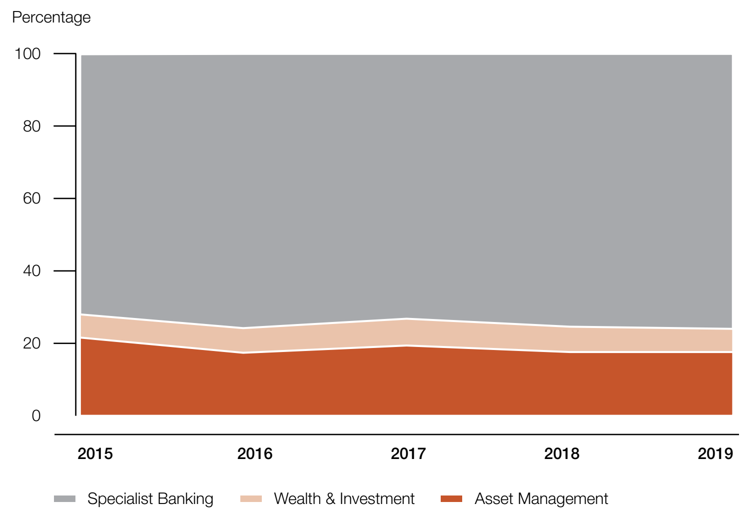
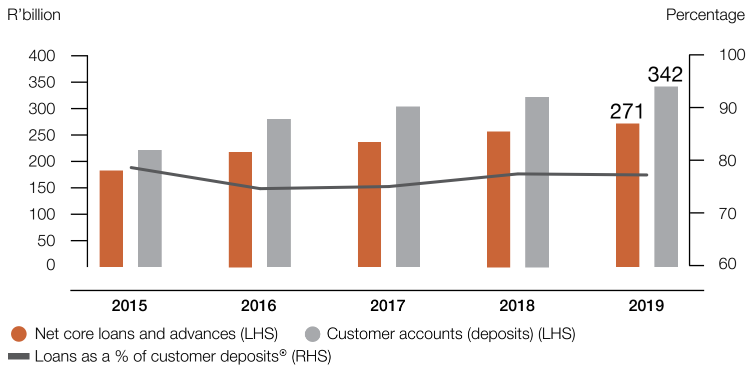
We have a strong franchise and diversified business model that supports a solid revenue base.

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



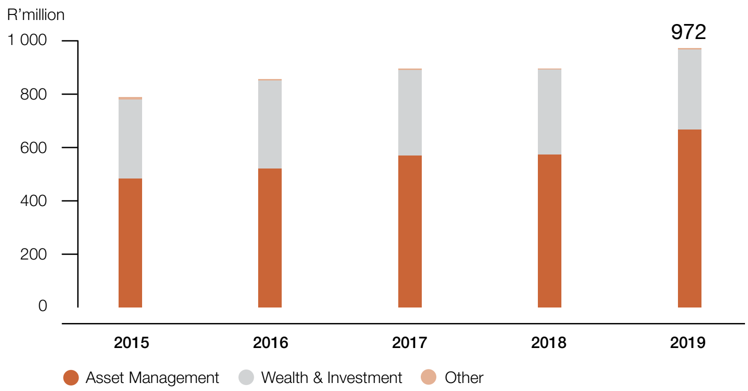
Continued to grow our key earnings drivers

Customer accounts (deposits) and loans



Momentum in building our third party assets under management continues

Funds under management



Financial performance

Annuity income⦿ as a % of total operating income	**2019** **81.1%** 2018 81.4%
Cost to income ratio**⦿	**2019** **56.5%** 2018 55.6%
Credit loss ratio⦿	**2019** **0.28%** 2018 0.28%
Gearing ratios⦿ remain low	**2019** **9.1 times** 2018 9.3 times
Cash and near cash increased by 1.6%	**2019** **R118.4bn** 2018 R116.5bn

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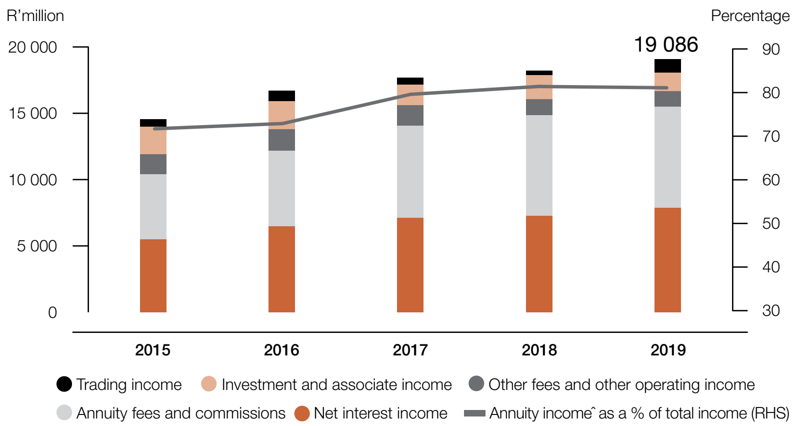
Supporting growth in operating income

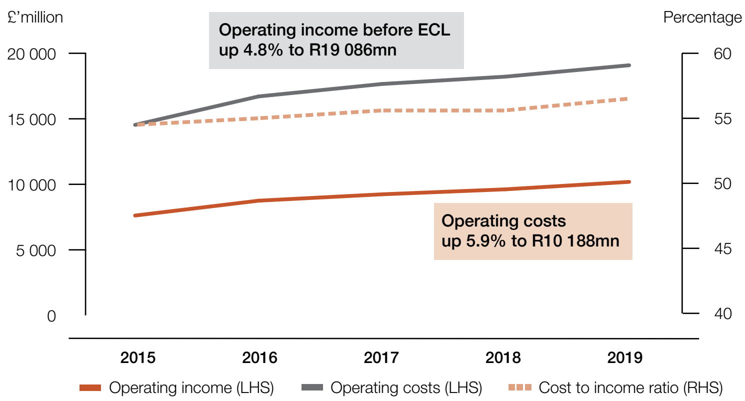
Total operating and annuity income^⦿



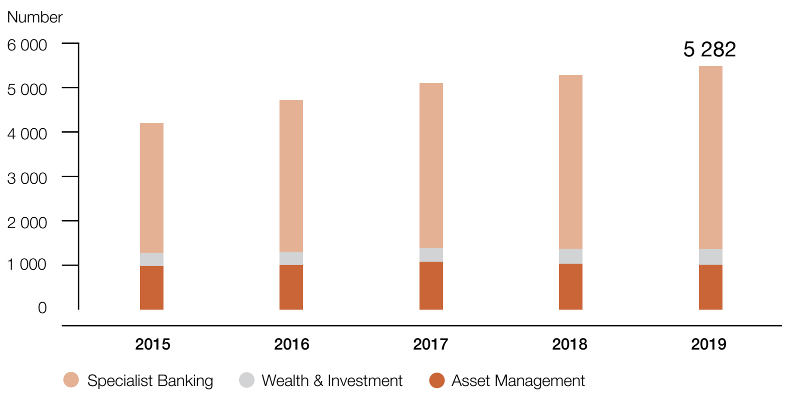
^ *Where annuity income is net interest income and annuity fees.*

Continued focus on cost containment

Jaws ratios⦿



*Headcount**



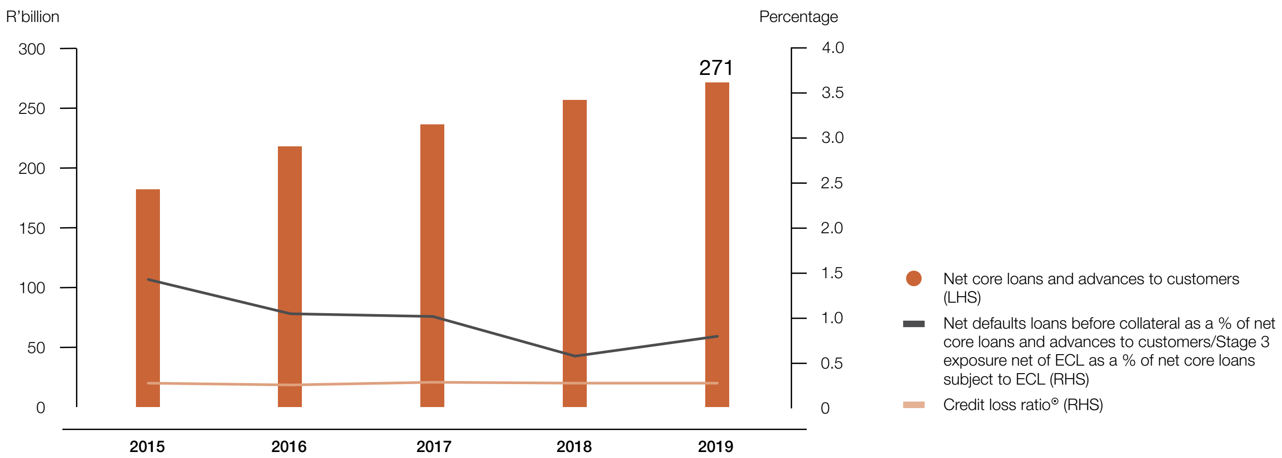
* *Permanent headcount and includes acquisitions.*

Expected credit losses/impairments^ have increased, however, the credit loss ratio remains flat at the lower end of its long-term average trend

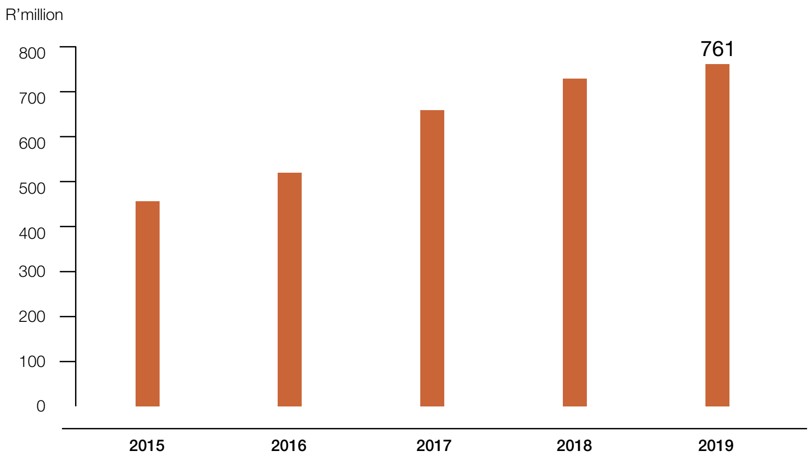
Since 31 March 2018:

- Net core loans and advances increased 5.6% to R271.2 billion
- Stage 3 net of ECL as a % of net core loans and advances subject to ECL amounted to 0.8% (1 April 2018: 0.7%; 31 March 2018: 0.56%)
- The credit loss ratio® amounted to 0.28% (2018: 0.28%)
- Stage 3 exposures net of ECLs remain adequately collateralised.

Default and core loans



*Expected credit losses/impairments^*



^ *On adoption of IFRS 9 there is a move from an incurred loss model to an expected loss methodology. Expected credit loss impairment charges for the year ended 31 March 2019 have been calculated on an IFRS 9 basis, comparative years have been calculated on an IAS 39 basis.*

Maintained a sound balance sheet

The intimate involvement of senior management ensures stringent management of risk and liquidity

Our policy has always been to hold capital well in excess of regulatory requirements and we intend to perpetuate this philosophy

Investec has maintained a stable capital base

Investec Limited has 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

Capital ratios

	Pro-forma FIRB		Standardised	
	Investec Limited	Investec Bank Limited	Investec Limited	Investec Bank Limited
31 March 2019				
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%
31 March 2018				
Common equity tier 1 ratio	n/a	n/a	10.2%	10.9%
Tier 1 ratio	n/a	n/a	11.0%	11.2%
Total capital adequacy ratio	n/a	n/a	14.6%	15.5%

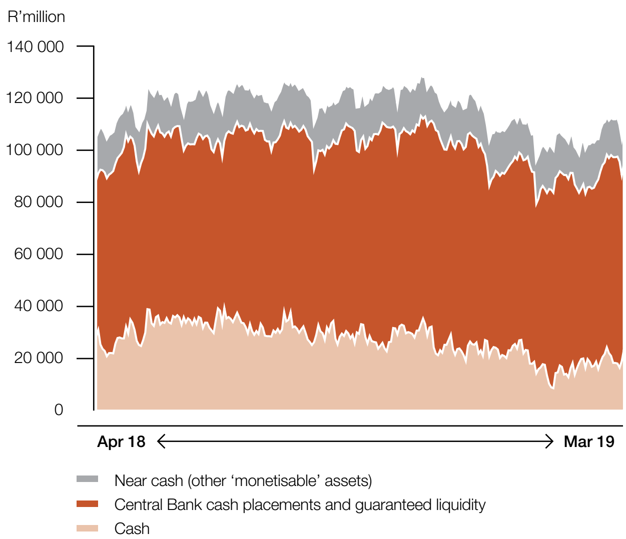
A well-established liquidity management philosophy remains in place

Continue 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 34.7%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Reduced reliance on wholesale funding
- Continued 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 135.6% (31 March 2018: 133.9%) and net stable funding ratio at 115.6% (31 March 2018: 108.4%), well in excess of the minimum regulatory requirements.

Cash and near cash trend



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John Green and Mimi Ferrini

Co-chief executive officers of Investec Asset Management

How has the operating environment impacted your business over the past financial year?

The global geopolitical and economic environment continues to be uncertain. Asset markets were volatile over the period and the risk of an ongoing market correction remains.

Notwithstanding markets, the long-term growth prospects for competitive active asset managers remain compelling and the fundamentals are strong. However, the industry faces headwinds including the shift to passive products, downward fee pressure, and an evolving technology landscape resulting in a more competitive environment where only quality and excellence are rewarded.

What have been the key developments in your business over the past financial year?

Global net inflows of £6.1 billion for the last 12 months proved a highlight of our year. This was the result of broad support from our clients, proving relevance of our investment offering.

We have continued to invest meaningfully in our capabilities with strong talent added across our investment teams. We were particularly focused in areas where we see strong potential and future client demand. These include China, Multi-asset and Sustainability. We have been proactive in developing our presence in North America and both our client and investment teams in the region saw growth. This is translating into further relevance and heightened attention from the market. Similarly, we continued to grow our Advisor business.

In September 2018, we announced that Investec Asset Management would demerge from Investec group. Upon completion of the demerger, Hendrik du Toit will return to his role as CEO, and we will form a team of Deputy CEOs, dedicated to shaping an exciting future for this business. Investec Asset Management has remained focused during this period of transition and this is largely attributable to the continuity of leadership that will remain after the demerger.

What are your strategic objectives in the coming financial year?

Our fundamental strategic objectives and principles remain unchanged: we want to assist people around the globe to retire with dignity or to meet their financial objectives. We engage our investors through five geographically defined client groups. We operate in both the Institutional and Advisor channels. Our ultimate aim is to manage our clients' money to the highest possible standards and in line with their expectations and product and strategy specifications.

We will continue to focus on delivering competitive investment performance, scaling our Multi-asset and Quality capabilities and growing our presence in large markets with relevant strategies and products. We will also aim to grow in the Advisor space and continue to ensure that we are evolving all of our investment capabilities for the future.

Within the coming year, we will be completing the demerger of Investec Asset Management from Investec Group. This will enable even better alignment with our clients. We look forward to continuing to create long-term value for our clients and shareholders alike.

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

We are a long-term focused business allocating capital on a global basis to meet the future needs of society. The single greatest challenge for humanity is sustainable development, which means the simultaneous achievement of economic growth, social inclusion and environmental sustainability. We arrange our sustainability efforts into three distinct categories: Invest, Engage, Inhabit. This speaks to our purpose statement of investing for a better tomorrow.

What is your outlook for the coming financial year?

At Investec Asset Management, we always think about the long term. Our outlook continues to be focused on building a long-term intergenerational business. Notwithstanding the industry challenges and the risk of further market corrections, we believe that the opportunity for growth in our industry over the next five to ten years is substantial. Our momentum is positive and we are excited about the future as an independent, pure-play asset manager.

Henry Blumenthal

Head of Wealth & Investment South Africa

How has the operating environment impacted your business over the past financial year?

The year has been characterised by a number of challenges. Internationally, despite strong economic conditions in the US, concerns around tariff negotiations, the rise of populism and political uncertainty, amongst other factors, dampened the outlook for global growth.

The South African equity markets were marked by considerable volatility in the current year, predominantly driven by concerns over the stability of State-Owned Enterprises, which suppressed economic growth and in turn dented business confidence. This has translated into low levels of activity and reduced investment flows. Investors remain cautious and continue to seek international investment opportunities.

What have been the key developments in your business over the past financial year?

Our clients' need for seamless reporting, digital access and an international investment offering continues to be the driver for key developments within our business. As such, we continue to increase collaboration with the Private Bank and develop our international investment offering by investing in technology and our digital platform.

We continue to explore the inclusion of alternative assets in our clients' portfolios which have provided enhanced returns during challenging economic conditions. We believe in delivering a holistic service to our clients which goes beyond traditional investments and is inclusive of inter-generational wealth planning, tax structuring and assisting our clients to navigate the increasingly complex local and global regulatory and tax environments.

What are your strategic objectives in the coming financial year?

Our key strategic drivers include optimising our international footprint and global investment offering as our clients continue to seek opportunities offshore, and ensuring our resources are utilised effectively to deliver an exceptional client experience.

Deepening our client relationships through high-touch engagements while achieving efficiencies and bolstering investment opportunities through our digital platform remains a priority. We recognise the diversity of our clients' needs and adapting our value proposition to include focusing on intergenerational wealth planning supported by enhanced tax and fiduciary services.

Collaboration across the Wealth & Investment business, as well as with the broader group, remains a strategic focus in order to provide a holistic Investec offering. We aim to uniquely position ourselves as the number one choice for private clients by furthering our strategic partnership with the Private Bank to advance our One Place offering.

To ensure the sustainability of our business, we continue to focus on culture development and investing in our people and leadership of the business.

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

As part of our commitment to responsible investment, we incorporate a variety of ESG factors along with other material investment factors and ethical guidelines into our wealth management and investment decision making process. More importantly, we believe that the greatest social impact we can have as a manager of wealth is to support our clients in attaining their socio-economic and environmental aspirations.

Our recently established philanthropy services offering supports long-term sustainable solutions where clients are able to live out their values by creating and leaving a legacy in society. Investec manages philanthropy foundation investments to the value of R580 million which, over the past year, derived an income distribution to charities on behalf of clients to the value of R31 million. We also exposed clients to the opportunity of investing into funds to grow qualifying privately-owned SMMEs. These funds aim to improve South Africa's economic growth and contribute towards SDG 8 of the Sustainable Development Goals regarding decent work and economic growth.

Our 2019 corporate sustainability and ESG supplementary report provides further detail on the Sustainable Development Goals and the many initiatives we are supporting or funding.

What is your outlook for the coming financial year?

Uncertainty and volatility are likely to characterise the next year in South Africa. Our clients remain at the centre of our business and we are committed to delivering on exceptional client service and achieving investment returns. Heightened client engagement will be important to ensure our clients expectations are managed and that they remain invested through the cycle. Alternative investments will play an increasingly important role, providing non-correlated return profiles that diversify portfolios and manage risk. We will continue to provide opportunities that limit downside risk and enhance returns to suit our client needs.

Richard Wainwright

Head of Specialist Banking South Africa

How has the operating environment impacted your business over the past financial year?

The South African operating environment has been challenging in the period under review. Growth in lending activities has slowed given the subdued business and economic outlook, putting pressure on certain sectors. High levels of volatility, subdued credit extension, low market volumes and clients facing a difficult trading environment all impacted the business. The transactional banking environment is more competitive with new and potential new entrants and continued innovation by traditional competitors.

Despite these factors, business has shown good growth largely due to lending book growth in the prior year, a greater number of clients seeking international exposure which remains a strategic advantage for us and clients holding on to cash in these uncertain times.

What have been the key developments in your business over the past financial year?

We continued to focus on diversifying revenues, expanding our value proposition, deepening client relationships and engagement. Key developments over the year include:

- Team established to oversee our principal investments with a clearly defined strategy that is within our risk appetite framework
- Integrating our import solutions and trade finance businesses and launching Investec for Business as a specific segment to target smaller to mid-tier companies;
- Launching a corporate transactional business banking platform, aimed largely at mid-tier companies;
- Implementing a targeted Young Professionals strategy to expand our client base
- Gaining traction in our Life business as we continue to build out the platform
- Building on our investment and funds platforms
- Growing the Investec retail deposit funding channels
- Received regulatory approval to adopt the Foundation Internal Ratings Based (FIRB) approach to calculating regulatory capital, effective 1 April 2019
- We were recognised by the Financial Times of London as the best Private Bank and Wealth Manager in South Africa for the sixth year running.

What are your strategic objectives in the coming financial year?

Our strategic priorities over the next two to three years are aligned to the group's stated objectives at our recent Capital Markets Day;

- Continued focus on capital allocation in order to optimise returns. We have implemented a strategic shift in our approach to private equity investments, moving away from large direct investments to a client centric approach
- Further diversification of our revenue base by building new sources of revenue through a number of initiated growth strategies including Investec Life, Investec for Business, corporate and business transactional banking, fund platforms and targeted Private Banking Young Professionals strategy
- Continue to optimise our funding by growing our retail deposit channels
- Improved management of the cost base, with increased focus and benefits to be gained through simplicity, automation, operational leverage and containing headcount growth
- Throughout the business model, we will continue to invest in our digital and technology platforms in order to remain competitive and to deliver on our high-touch, high-tech value proposition to both corporate and private clients
- Continue to enhance collaboration with the rest of the group.

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

We have a long history of supporting our communities and contributing to transforming our society in South Africa with a specific focus on education and learnership opportunities. Our flagship programme, Promaths, contributed 5% of South Africa's total national distinctions in both mathematics and science in the past year and we funded 173 high school and university bursaries (2018: 157). We were also one of the first signatories to the Youth Empowerment Services (YES) initiative in South Africa and placed more than 1 200 youth with 11 partners during the year. In line with our commitment to transform our society, diversity and inclusion remains a core focus internally and by the end of the financial year, women made up 55.0% of our workforce in Southern Africa (2018: 54.9%).

Operationally, we have implemented a number of initiatives to reduce our carbon footprint by 1.7% in Southern Africa despite a headcount increase of 3.2% for the same period. We also strengthened our policies around ESG and our commitment to support the transition to a clean and energy-efficient global economy. We were proud to have participated in the launch of Kathu Solar Plant which is the largest concentrated solar power plant in South Africa. The plant created 1 700 employment opportunities, provides 179 000 households with electricity and will save six million tonnes of CO_2 emissions over a 20 year period. We were also proud to partner with UK Climate Investments committing a combined R1 billion to a dedicated renewable energy investment vehicle, Revego Africa Energy. Revego Fund Managers (RFM), a newly incorporated black-owned and managed fund manager, will be responsible for managing Revego's investments in operating renewable energy projects in South Africa and other sub-Saharan African countries.

Our 2019 corporate sustainability and ESG supplementary report provides further detail on the Sustainable Development Goals and the many initiatives we are supporting or funding.

What is your outlook for the coming financial year?

The interplay between South Africa's political dynamics and the economy has fostered an operating environment marked by low business and consumer confidence. Going forward, the challenge for the Ramaphosa administration will be striking the optimal balance between reforms and fiscal consolidation. The focus on business-friendly policies is likely to be reinforced in order to stimulate the economy, however we remain cautious as the operating environment could remain challenging for business.

Notwithstanding the backdrop, we remain committed to maintaining discipline around the allocation of our capital and generating increased returns to shareholders. We will continue to roll out new initiatives as we diversify our revenue streams. Our sustainable level of recurring income, together with our resilient client base, will continue to support reasonable levels of client activity.

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.

8, 14 – 17

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

8, 14 – 17 , 35 – 37

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

33

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

32 – 54

Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.

33, 143 –150

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

55 – 56

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

59 – 62

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

63 – 68

Liquidity risk may impair our ability to meet our payment obligations as they fall due.

69 – 70

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

73 – 77

Operational risk (including financial crime and process failure) may disrupt our business or result in regulatory action.

73 – 77

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

73 – 77

Employee misconduct could cause harm that is difficult to detect.

76

Reputational, strategic and **business risk** could impact our operational performance.

76 – 77

Compliance, legal and regulatory risks may have an impact on our business.

77

Retail conduct risk is the risk that we treat our customers unfairly and deliver inappropriate outcomes. **Wholesale conduct risk** is the risk of conducting ourselves inappropriately in the market.

78 – 90

We may have insufficient capital in the future and may be unable to secure additional financing when it is required.

147

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

www *See Investec group's 2019 corporate 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.

FINANCIAL REVIEW

2

Key income drivers

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

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

Asset Management

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Fixed fees as a percentage of assets under management • Variable performance fees.	• Movements in the value of the assets underlying client portfolios • Performance of portfolios against set benchmarks • Net flows.	• Fees and commissions.

Wealth & Investment

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Investment management fees levied as a percentage of assets under management • Commissions earned for executing transactions for clients.	• 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.	• 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 • Funding requirements • 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 • 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).	• 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 affected by applicable tax, regulatory and other macro- and micro-economic fundamentals.	• Fees and commissions.
• Derivative sales, trading and hedging.	• Client activity, including lending activities • 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 an increase in headline earnings attributable to ordinary shareholders of 3.9% to 5 704 million (2018: R5 490 million). The balance sheet remains sound with a capital adequacy ratio of 14.9% (31 March 2018: 14.6%).

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2018.

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

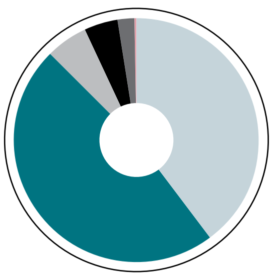
Total operating income before expected credit losses/impairment losses on core loans and advances increased by 4.8% to R19 086 million (2018: R18 217 million). The various components of total operating income are analysed below.

R'million	31 March 2019	% of total income	31 March 2018	% of total income	% change
Net interest income	7 870	41.2%	7 269	39.9%	8.3%
Net fee and commission income	8 740	45.8%	8 786	48.2%	(0.5%)
Investment income	240	1.3%	1 000	5.5%	(76.0%)
Share of post taxation profit of associates	1 163	6.1%	777	4.3%	49.7%
Trading income/(loss) arising from					
– customer flow	613	3.2%	414	2.3%	48.1%
– balance sheet management and other trading activities	419	2.2%	(41)	(0.2%)	>100.0%
Other operating income	41	0.2%	12	–	>100.0%
Total operating income before expected credit losses/impairment losses	**19 086**	**100.0%**	**18 217**	**100.0%**	**4.8%**

The following table sets out information on total operating income before expected credit losses/impairment losses on loans and advances by division for the year under review:

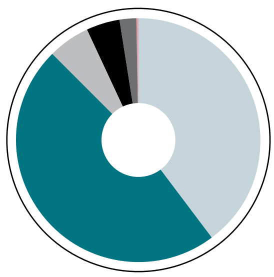
R'million	31 March 2019	% of total income	31 March 2018	% of total income	% change
Asset Management	3 347	17.5%	3 222	17.7%	3.9%
Wealth & Investment	1 525	8%	1 557	8.5%	(2.1%)
Specialist Banking	14 214	74.5%	13 438	73.8%	5.8%
Total operating income before expected credit losses/impairment losses	**19 086**	**100.0%**	**18 217**	**100.0%**	**4.8%**

% of total operating income before expected credit losses/impairment losses



31 MARCH 2019
R19 086 million total operating income before expected credit loss impairment charges

41.2%	Net interest income
45.8%	Net fee and commission income
1.3%	Investment income
6.1%	Share of post taxation profit of associates
3.2%	Trading income arising from customer flow
2.2%	Trading income arising from balance sheet management and other trading activities
0.0%	Other operating income



31 MARCH 2018
R18 217 million total operating income before impairment losses

39.9%	Net interest income
48.2%	Net fee and commission income
5.5%	Investment income
4.3%	Share of post taxation profit of associates
2.3%	Trading income arising from customer flow
(0.2%)	Trading income arising from balance sheet management and other trading activities
0.0%	Other operating income

Net interest income

Net interest income increased by 8.3% to R7 870 million (2018: R7 269 million) supported by higher net margins and private client lending activity.

For a further analysis of interest received and interest paid refer to page 188.

Net fee and commission income

Net fee and commission income decreased by 0.5% to R8 740 million (2018: R8 786 million). Growth in annuity fees from the asset and wealth management businesses were offset by lower performance, brokerage and deal fees.

For a further analysis of net fee and commission income refer to page 189.

Investment income

Investment income decreased by 76% to R240 million (2018: R1 000 million) reflecting a weaker performance from the listed and unlisted investment portfolio, as well as from the investment property portfolio.

For a further analysis of investment income refer to pages 189 to 190.

Share of post taxation profit of associates

Share of post taxation profit of associates of R1 163 million (2018: R777 million) reflects earnings in relation to the group's investment in the IEP Group. The increase is largely driven by a realisation within the IEP Group.

Trading income

Total trading income increased significantly amounting to R1 032 million (2018: R373 million), primarily reflecting translation gains on foreign currency equity investments (partially offsetting the related weaker investment income performance).

Expected credit loss (ECL)/impairment losses on loans and advances

ECL/impairments on loans and advances increased from R729 million to R761 million, however, the credit loss ratio on average core loans and advances was flat year-on-year at 0.28%, remaining at the lower end of its long-term average trend. Stage 3 assets (net of ECL impairment charges) as a percentage of net core loans subject to ECL was 0.8% (1 April 2018: 0.7%).

Refer to pages 48 to 54 for further information on asset quality and page 191 for a breakdown of expected credit loss impairment charges.

Total operating costs

The cost to income ratio^⊙ was 56.5% (2018: 55.6%). Total operating costs were up 5.9% to R10 188 million (2018: R9 619 million). Costs increased ahead of revenue, primarily impacted by a lower premises charge in the prior year (resulting from the rental provision release). Cost containment remains a priority.

The various components of total operating costs are analysed below.

R'million	**31 March 2019**	**% of total operating costs**	31 March 2018	% of total operating costs	% change
Staff costs (including directors' remuneration)	7 254	71.2%	7 101	73.8%	2.2%
Business expenses	994	9.8%	1 028	10.7%	(3.1%)
Equipment (excluding depreciation)	752	7.4%	668	6.9%	12.6%
Premises (excluding depreciation)	377	3.7%	138	1.4%	>100.0%
Marketing expenses	509	5.0%	457	4.8%	11.4%
Depreciation	302	2.9%	227	2.4%	32.6%
Total operating costs	**10 188**	**100.0%**	**9 619**	**100.0%**	**5.9%**

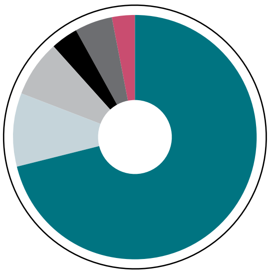
^ *The group has changed its costs to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. Refer to definitions page 269.*

⊙ ***Alternative performance measures***
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. These measures are highlighted with the symbol⊙. The definition of alternative performance measures is provided in the definitions section of this report.

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

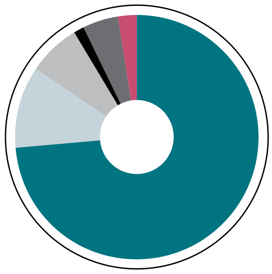
R'million	31 March 2019	% of total operating costs	31 March 2018	% of total operating costs	% change
Asset Management	2 052	20.2%	1 947	20.2%	5.4%
Wealth & Investment	1 052	10.3%	1 054	11.0%	(0.2%)
Specialist Banking	6 817	66.9%	6 345	66.0%	7.4%
Group costs	267	2.6%	273	2.8%	(2.2%)
Total operating costs	**10 188**	**100.0%**	**9 619**	**100.0%**	**5.9%**

% of total operating costs



31 MARCH 2019
R10 188 million total operating costs

71.2%	Staff costs
9.8%	Business expenses
7.4%	Equipment
3.7%	Premises
5.0%	Marketing
2.9%	Depreciation



31 MARCH 2018
R9 619 million total operating costs

73.8%	Staff costs
10.7%	Business expenses
6.9%	Equipment
1.4%	Premises
4.8%	Marketing
2.4%	Depreciation

Taxation

The effective tax rate remains below the bank's historical effective tax rate due to the release of tax provisions relating to the resolution of long standing tax matters.

Operating profit before goodwill and acquired intangibles

As a result of the foregoing factors, operating profit before goodwill and acquired intangibles increased by 3.4% to R8 137 million (2018: R7 869 million) and profit after tax increased by 0.4% to R7 398 million (2018: R7 365 million).

Balance sheet analysis

Since 31 March 2018:

- Total equity increased by 8.5% to R55.6 billion (31 March 2018: R51.3 billion), largely as a result of retained earnings
- Total assets (excluding assurance assets) increased by 6.4% to R507.2 billion (31 March 2018: R476.6 billion), largely as a result of an increase in core loans and advances.

3 RISK MANAGEMENT AND CORPORATE GOVERNANCE

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
- 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
- Run appropriate risk committees, as mandated by the board
- Maintain compliance in relation to regulatory requirements.

Overview of disclosure requirements

Risk disclosures provided 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 26 to 93 with further disclosures provided in the annual financial statements section on pages 169 to 254. Where applicable throughout the risk disclosures, comparative information is reported under IFRS 9 at 1 April 2018. 31 March 2018 information can be found on pages 262 and 267. This has been presented on an IAS 39 basis and not restated as permitted under IFRS 9.

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.

www

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 BRCC and board approves the overall risk appetite for the Investec group. The risk appetite statement sets 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 risk arising from running our businesses.

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

Risk awareness, control and compliance are embedded in all our day-to-day activities. As fundamental to our values, we have a strong and embedded risk and capital management culture.

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal risk, internal audit 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, 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.

Overall 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.

As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management business. The demerger and separate listing of Investec Asset Management is subject to regulatory and shareholder approvals, and is expected to be completed in the second half of 2019.

Succession of the group's executive management team has been an ongoing focus area for the board where a number of processes have been implemented to ensure an orderly management succession process. Leadership and talent development remain high priority areas for the board and management of the group.

As part of the group's orderly succession plan to move from founding members to the next generation of leadership, a number of board and management changes have been announced. The process has been well managed and there has been no negative impact on the group's operations.

IFRS 9 became effective from 1 April 2018. IFRS 9 replaced IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. 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. Investec Limited confirmed to the South African Prudential Authority that the transitional arrangements will be used to absorb the full impact permissible of IFRS 9 in regulatory capital calculations for both Investec Limited and IBL.

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 the board.

Our risk appetite framework as set out on page 30 continues to be assessed in light of prevailing market conditions and group strategy.

Credit risk

Our credit exposures are 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 and credit risk taken over a short to medium term.

These target clients have remained active during the financial year, and have displayed a level of resilience, seeking out opportunities despite the volatility in the markets.

The current macro-economic environment remains challenging and volatile in the period under review. Growth in 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. There was growth in net core loans of 6.6% to R271.2 billion (1 April 2018: R254.4 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

We have observed a small percentage increase in our Stage 2 and Stage 3 exposures. Stage 2 exposure amounted to R10.8 billion or 4.0% of gross core loans and advances subject to ECL as at 31 March 2019 (1 April 2018: R9.5 billion or 3.7%). Stage 3 exposure amounted to R3.8 billion or 1.4% of gross core loans and advances subject to ECL as at 31 March 2019 (1 April 2018: R2.9 billion or 1.1%). The credit loss ratio amounted to 0.28% (2018: 0.28%) remaining at the lower end of its long term average range.

Investment risk

Overall, we remain comfortable with the performance of the majority of our equity investment portfolios, which comprise 5.0% of total assets.

Traded market risk

In South Africa, the optimism experienced during early 2018 was replaced by concerns over the financial health of state-owned enterprises and policy uncertainty surrounding the expropriation of land without compensation. South Africa's credit rating has remained under the spotlight. The Rand was under pressure during the period, down 22% year-on-year against the US Dollar. Globally, the ongoing US-China Trade war impacted emerging market economies whilst further Brexit uncertainty added to volatile markets. Against this challenging economic backdrop, the trading desks have performed well, primarily focusing on client facilitation whilst maintaining low levels of open risk. This is reflected in a decrease in average VaR utilisation as compared to the previous year.

Balance sheet and liquidity risk

The bank comfortably exceeds regulatory liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Investec Bank Limited (solo basis) ended the period to 31 March 2019 with the three-month average of its LCR at 135.6% (31 March 2018: 133.9%). The structural funding ratio represented by the NSFR was adopted officially as a regulatory measure from 1 January 2019 with a minimum of 100%. Investec Bank Limited delivered an NSFR of 115.6% for the period under review.

We continue to improve balance sheet efficiency by improving our wholesale and retail funding channels and mix. Our funding channels are characterised by their well-diversified structure and are robust enough to deal with any disruptions the economy may encounter throughout the year.

Capital management

The bank has received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in a pro-forma CET 1 ratio of 11.6% had the FIRB approach been applied as of 31 March 2019. Leverage ratios are robust and remain comfortably ahead of the bank's target of 6% (31 March 2019: 7.6%)

The bank has continued to maintain a sound balance sheet with a low gearing ratio of 9.1 times and a core loans to equity ratio of 4.9 times.

We have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. We meet our current internal targets for total capital adequacy and for our common equity tier 1 ratio to be in excess of 10%. Capital continued to grow and we are comfortable that credit growth is in line with our risk appetite framework and supported by sound risk metrics.

Conduct, operational and reputational risk

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. Our customer and market conduct committee continues to ensure that the bank maintains a client-focused and fair outcomes-based culture.

Financial and cyber crime remain high priorities, and the bank continually aims to strengthen its systems and controls in order to manage cyber risk. We also continued to focus on combating money laundering, as well as preventing bribery and corruption in order to ensure the safety of our clients' wealth and to meet our regulatory obligations.

The bank's stress testing framework is well embedded in its operations and is designed to identify and regularly test the bank's key 'vulnerabilities under stress'. A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from risk, the business and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the Investec-specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios have been developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process. 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 country continued to confront an uncertain economic environment for the better part of 2018, following the initial optimism following the ascension of Cyril Ramaphosa to the ANC Presidency. The problems facing state owned enterprises and the realities of state capture came to the fore. Risks to the fiscus emanating from state owned enterprises (SOEs) continued to pose major challenges. On the global front, trade tensions, slowing economic growth and Brexit uncertainty started becoming a prominent feature of the local economic environment which transitioned us from risk-on sentiment.

The appointment of Mr Cyril Ramaphosa as president along with his cabinet, is seen as a positive development for South Africa, following on from the recent African National Congress (ANC) ruling party majority win in the 2019 Elections.

Moody's retained South Africa's investment grade long-term sovereign debt credit rating at Baa3 on a dual currency basis over the period on a stable outlook. Fitch and Standard & Poor's credit rating agencies maintained South Africa's sub-investment grade rating over the period.

Investec Limited and Investec Bank Limited'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 Standard & Poor's.

The board, through the bank's respective risk and capital committees, continued to assess the impact of its principal risks and a number of stress scenarios on the business. The 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 bank would continue to maintain adequate liquidity and capital balances to support the continued operation of the bank.

Salient features

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

Year to 31 March	**2019**	2018
Total assets (excluding assurance assets) (R'million)	507 192	476 639
Total risk-weighted assets (R'million)	361 750	338 484
Total equity (R'million)	55 615	51 279
Cash and near cash (R'million)	118 365	116 533
Customer accounts (deposits) (R'million)	341 578	321 823
Loans and advances to customers to customer deposits	77.2%	77.4%
Structured credit as a % of total assets*	0.32%	0.24%
Banking book investment and equity risk exposures as a % of total assets*	4.99%	4.87%
Traded market risk: one-day value at risk (R'million)	3.8	3.4
Core loans to equity ratio	4.9x	5.0x
Total gearing ratio^^	9.1x	9.3x
Return on average assets#	1.16%	1.28%
Return on average risk-weighted assets#	1.64%	1.79%

	31 March 2019	1 April 2018
Net core loans and advances (R'million)	271 204	254 385
Stage 3 exposure as a % of gross core loans and advances subject to ECL	1.4%	1.1%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	0.8%	0.7%
Level 3 (fair value assets) as a % of total assets	1.49%	0.60%
Credit loss ratio**	0.28%	0.28%
Total capital adequacy ratio	14.9%	14.5%
Tier 1 ratio	11.2%	10.8%
Common equity tier 1 ratio	10.5%	10.0%
Common equity tier 1 ratio (Pro-forma FIRB)^	11.6%	n/a
Leverage ratio – current	7.6%	7.4%

* *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. The credit loss ratio comparatives are as at 31 March 2018 (under IAS 39).*
# *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 approval to adopt the Foundation Internal Rating Based (FIRB) approach effective 1 April 2019.*
^^ *Total assets excluding assurance assets to total equity.*

Overall group risk appetite

The group has a number of 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 and 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 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 2019*
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 46% to total operating income and capital intensive activities contributed 54%
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 81.1% of total operating income. Refer to page 10 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 56.5%. Refer to page 10 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 7.4%. Refer to page 87 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 common equity tier 1 ratio above 10%	We met our capital targets, refer to page 90 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 5% of tier 1 capital (up to 10% if approved by the relevant board committee). 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
There is a preference for primary exposure in the bank's main operating geography (i.e. South Africa). The bank 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 33 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 0.28%. Stage 3 net of ECL as a % of core loans and advances 0.8%. Refer to pages 48 and 49 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 R118.4 billion at year end representing 34.7% of customer deposits. Refer to page 65 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 R3.8 million at March 2019. Refer to page 60 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 (excluding the IEP Group)	Our unlisted investment portfolio is R4 144 million (excluding the IEP group), representing 10.2% of total tier 1 capital. Refer to page 56 for further information
Our operational risk management team focuses on appropriately identifying and managing operational risk within acceptable levels by adopting sound operational risk practices that are fit for purpose. We have heightened focus on financial and cyber crime	Refer to pages 73 to 76 for further information
We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to pages 76 and 77 for further information

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 18.

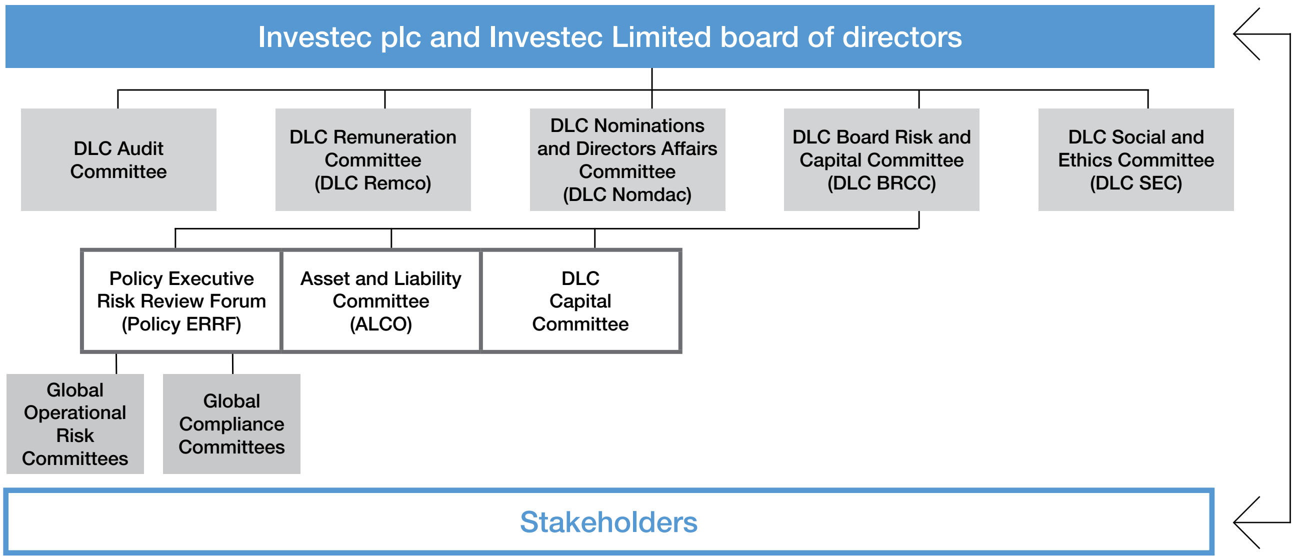
The sections that follow provide information on a number of these risk areas and how the group manages these risks.

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 create 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
- Issuer risk on financial instruments 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 high 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. The scope of these forums and committees have been adjusted where necessary to reflect changes to governance processes arising from IFRS 9 implementation:

- 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
- Models Forum provides an internal screening and validation process for credit models. We have established independent model validation teams who review the models and provide feedback on the accuracy and operation of the model and note items for further development through this forum.

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 monitored on an ongoing basis and reported to IBL BRCC, group BRCC and the board on a regular basis. 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.

There is a preference for primary exposure in the bank's main operating geographies (i.e. Southern Africa). 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.

Investec'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 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 and IBL ERC and Policy ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions.

Sustainability considerations

The group has a holistic approach to corporate sustainability, which runs beyond recognising our own footprint on the environment and includes our many corporate social investment activities and our lending and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, corporate sustainability risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. There is also oversight by SEC on social and environmental issues including climate related impact considerations. In particular, the following factors are taken into account when assessing a transaction based on the outcome of the corporate responsibility considerations:

- Environmental considerations (including animal welfare and climate – related impacts)
- Social considerations (including human rights)
- Macro-economic considerations.

www

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

Stress testing and portfolio management

The group has embedded its stress testing framework which is a repeatable stress testing process, designed to identify and regularly test the bank's key 'vulnerabilities under stress', as explained in pages 28. The bank also performs *ad hoc* stress tests, which by their nature need to be completed on request and in response to emerging risk issues.

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 at amortised cost and at fair value through other comprehensive income (FVOCI), in accordance with IFRS 9, have been developed as described on the next page:

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.

Stage 1

All 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.

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 amongst other indicators of financial stress. 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.

Investec Limited 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. As required, under IFRS 9, 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.

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 more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

Write-offs

The bank's policy on the timing of the write-off of financial assets has not significantly changed on the adoption of IFRS 9. 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. Similarly, the treatment and recognition of recoveries is unaffected by the implementation of IFRS 9. 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 50.

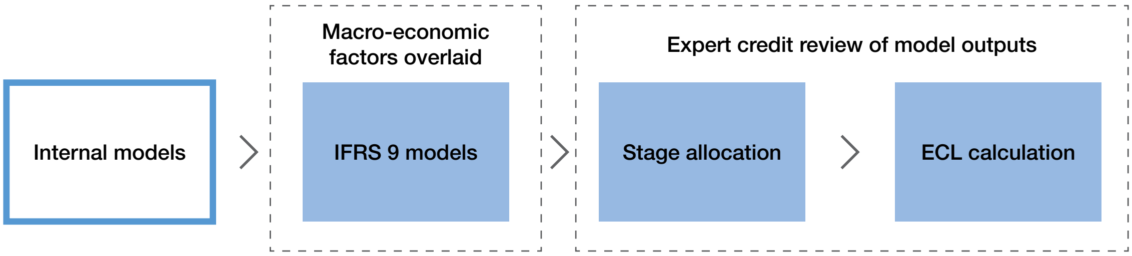
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the bank's ECL methodology, which are not considered to have a material impact. This includes the use of income recognition effective interest rates (EIRs) that are calculated under IAS 39 and used as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition where we have experienced limitations on the availability of probability of default origination data for the historic book a portfolio average has been used in some instances.

Process to determine ECL



ECLs are calculated using three main components:

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

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

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

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

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

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

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

Forward-looking macro-economic scenarios

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

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

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 a 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. Management's view of the most likely outcome is that a sedate pace of global monetary policy normalisation will occur, with a prolonged, severe global risk-off environment through the period avoided.

The base case scenario foresees higher confidence and investment levels to date, limited negative impact of expropriation without compensation to the economy. Additionally, the rand becomes structurally stronger, nearing its purchasing power parity valuation in 2021. South Africa retains one investment grade (Moody's) rating on its local currency long-term sovereign debt in the year ahead. Sedate global monetary policy normalisation persists in this scenario – where a severe global risk-off environment is avoided, and a neutral to global risk-on environment prevails where global growth persists around its trend growth rate.

The downside case scenario shows business confidence and investment relatively depressed, with marked rand weakness, significant strike action and regular electricity load shedding. South Africa is rated sub-investment grade by all three key credit rating agencies, with an increased chance of further credit rating downgrades. Faster than expected global (US) monetary policy normalisation, general market risk-off, a global sharp economic slowdown (commodity slump), marked escalation of the US-China trade war and a short global financial crisis (South Africa V shaped recession) are all characterisations of this scenario. The extreme downside case has a low probability with the global economy falling into recession and South Africa in economic depression. The probability of this extreme downside case has fallen over the period under review.

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

The table below shows the key factors that form part of the macro-economic scenarios and the relative weightings of these scenarios applied as at 31 March 2019:

Macro-economic scenarios

Average 2019 – 2023	Extreme upside %	Upside %	Base case %	Downside %	Extreme downside %
South Africa					
GDP	5.2	3.9	2.4	0.7	(2.0)
Repo	5.5	6.2	7.3	8.4	17.2
Bond yield	7.9	8.3	9.7	10.9	14.8
Residential property price	12.9	6.5	5.1	3.0	(1.1)
Commercial property prices	5.7	3.1	1.2	(1.6)	(6.0)
Exchange rates	8.1	9.9	13.0	16.9	24.1
Scenario weightings	**1**	**10**	**42**	**37**	**10**

Macro-economic sensitivities

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

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. Credit policies have been updated and amended to include changes to reflect the implementation of IFRS 9.

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 47 to 54.
- **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.
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary and non-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.
- **Investec Asset Management:** through the course of its normal business, Investec Asset Management is constantly transacting with market counterparties. A list of approved counterparties is maintained and procedures are in place to ensure appointed counterparties meet certain standards in order to safeguard client assets being transacted with or undertaken with approved counterparties and this is enforced through system controls where possible. In addition to due diligence, other forms of risk management are employed to reduce the impact of a counterparty failure. These measures include market conventions such as 'Delivery versus Payment' (DVP), and where appropriate; use of collateral or contractual protection (e.g. under ISDA). Net exposure to counterparties is monitored by Investec Asset Management's Investment Risk Committee, and day-to-day monitoring is undertaken by a dedicated and independent Investment Risk Team.

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 require 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, a Credit Support Annex (CSA) ensures that mark-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 62.

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.

Further information is provided in the financial review on pages 20 to 24 in volume one.

Underlying core assets continue to perform well. We have growth in the core loans of 6.6% to R271.2 billion (1 April 2018: R254.4 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

We have observed an increase percentage in our Stage 2 and Stage 3 exposures. Stage 2 exposure that amounted to R10.8 billion or 4.0% of gross core loan and advances subject to ECL as at 31 March 2019 (1 April 2018: R9.5 billion or 3.7%). Stage 3 exposure amounted to R3.8 billion or 1.4% of gross core loan and advances subject to ECL as at 31 March 2019 (1 April 2018: R2.9 billion or 1.1%). The credit loss ratio amounted to 0.28% (2018: 0.28%) remaining within its average long-term range.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled R515.8 billion at 31 March 2019. Cash and near cash balances amount to R118.3 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. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 93.6% of overall ECLs.

An analysis of gross credit and counterparty exposures

R'million	31 March 2019	1 April 2018
Cash and balances at central banks	10 062	9 165
Loans and advances to banks	22 126	19 620
Non-sovereign and non-bank cash placements	12 208	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	21 346	24 217
Sovereign debt securities	60 898	62 365
Bank debt securities	12 505	7 950
Other debt securities	13 586	10 409
Derivative financial instruments	5 521	6 835
Securities arising from trading activities	4 840	698
Loans and advances to customers	266 228	248 727
Own originated loans and advances to customers securitised	7 677	7 636
Other loans and advances	355	290
Other assets	2 822	3 363
Total on-balance sheet exposures	**440 174**	**411 268**
Guarantees	11 955	10 590
Committed facilities related to loans and advances to customers	55 970	47 856
Contingent liabilities, letters of credit and other	7 740	7 076
Total off-balance sheet exposures	**75 665**	**65 522**
Total gross credit and counterparty exposures	**515 839**	**476 790**

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 2019 R'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which Amortised cost and FVOCI*	ECLs^	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	55 934	(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**	**73 025**	**(39)**	**15 441**	**91 067**
Total exposures	**515 839**	**51 530**	**464 308**	**(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 equity risk in the banking book.

* *Largely cash in the securitised vehicles.*

** *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

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 1 April 2018 R'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which Amortised cost and FVOCI*	ECLs^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	9 165	–	9 165	(7)	22	9 180
Loans and advances to banks	19 620	–	19 620	(3)	–	19 617
Non-sovereign and non-bank cash placements	9 993	574	9 419	(21)	–	9 972
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	12 466	11 751	–	–	24 217
Sovereign debt securities	62 365	11 704	50 661	(22)	–	62 343
Bank debt securities	7 950	298	7 652	(10)	–	7 940
Other debt securities	10 409	1 061	9 348	(7)	–	10 402
Derivative financial instruments	6 835	6 835	–	–	5 706	12 541
Securities arising from trading activities	698	698	–	–	11 591	12 289
Investment portfolio	–	–	–	–	8 110#	8 110
Loans and advances to customers	248 727	19 254	229 473	(1 967)	–	246 760
Own originated loans and advances to customers securitised	7 636	–	7 636	(11)	–	7 625
Other loans and advances	290	–	290	(25)	–	265
Other securitised assets	–	–	–	–	299*	299
Interest in associated undertakings	–	–	–	–	6 495	6 495
Deferred taxation assets	–	–	–	–	1 331	1 331
Other assets	3 363	–	3 363	(66)	9 995**	13 292
Property and equipment	–	–	–	–	2 973	2 973
Investment properties	–	–	–	–	19 439	19 439
Goodwill	–	–	–	–	211	211
Intangible assets	–	–	–	–	412	412
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	–	–	–	141 071	141 071
Total on-balance sheet exposures	**411 268**	**52 890**	**358 378**	**(2 139)**	**207 655**	**616 784**
Guarantees	10 590	–	10 590	(5)	1 102	11 687
Committed facilities related to loans and advances to customers	47 856	–	47 856	(25)	–	47 831
Contingent liabilities, letters of credit and other	7 076	1 421	5 655	–	18 733	25 809
Total off-balance sheet exposures	**65 522**	**1 421**	**64 101**	**(30)**	**19 835**	**85 327**
Total exposures	**476 790**	**54 311**	**422 479**	**(2 169)**	**227 490**	**702 111**

^ *ECLs include R29 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 equity risk in the banking book.*
* *Largely cash in the securitised vehicles.*
** *Other assets include settlement debtors where 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 2019 **R'million**	High net worth and professional individuals	Lending collateralised by property – largely to 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 whole-salers	Manufac-turing and commerce	Construc-tion	Corporate commer-cial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	**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**

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

At 1 April 2018 **R'million**	High net worth and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
Cash and balances at central banks	–	–	–	–	9 165	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	18	–	–	1 843
Reverse repos and cash collateral on securities borrowed	658	–	–	–	–	89
Sovereign debt securities	–	–	–	–	62 365	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	1 312	–
Derivative financial instruments	–	–	16	1 121		28
Securities arising from trading activities	–	–	–	–	586	–
Loans and advances to customers	125 770	40 616	2 926	6 301	5 839	11 875
Own originated loans and advances to customers securitised	7 636	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–
Other assets	–	–	–	–	–	9
Total on-balance sheet exposures	**134 064**	**40 616**	**2 960**	**7 422**	**79 267**	**13 844**
Guarantees	4 433	937	–	946	1	1 117
Committed facilities related to loans and advances to customers	29 887	2 932	788	569	314	781
Contingent liabilities, letters of credit and other	4 065	1 376	–	–	711	6
Total off-balance sheet exposures	**38 385**	**5 245**	**788**	**1 515**	**1 026**	**1 904**
Total gross credit and counterparty exposures	**172 449**	**45 861**	**3 748**	**8 937**	**80 293**	**15 748**

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**
–	–	–	–	–	–	–	–	–	–	9 165
19 620	–	–	–	–	–	–	–	–	–	19 620
2 203	1 728	2 048	504	201	–	396	30	155	867	9 993
22 502	–	934	–	–	–	–	–	34	–	24 217
–	–	–	–	–	–	–	–	–	–	62 365
7 950	–	–	–	–	–	–	–	–	–	7 950
3 218	–	1 993	–	955	–	1 917	–	–	1 014	10 409
4 699	198	123	–	387	–	135	42	59	27	6 835
–	–	–	–	–	–	–	–	–	112	698
18 229	4 881	7 566	1 954	6 812	–	2 815	3 017	4 552	5 574	248 727
–	–	–	–	–	–	–	–	–	–	7 636
–	–	–	–	–	290	–	–	–	–	290
384	2 004	456	136	–	–	8	72	1	293	3 363
78 805	**8 811**	**13 120**	**2 594**	**8 355**	**290**	**5 271**	**3 161**	**4 801**	**7 887**	**411 268**
148	81	1 059	128	466	–	1 016	145	52	61	10 590
3 901	1 156	935	313	176	–	2 251	55	1 545	2 253	47 856
–	188	19	–	–	–	–	–	–	711	7 076
4 049	**1 425**	**2 013**	**441**	**642**	**–**	**3 267**	**200**	**1 597**	**3 025**	**65 522**
82 854	**10 236**	**15 133**	**3 035**	**8 997**	**290**	**8 538**	**3 361**	**6 398**	**10 912**	**476 790**

Gross credit counterparty exposures by residual contractual maturity

31 March 2019 R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	10 062	–	–	–	–	–	10 062
Loans and advances to banks	22 107	–	–	–	19	–	22 126
Non-sovereign and non-bank cash placements	12 208	–	–	–	–	–	12 208
Reverse repurchase agreements and cash collateral on securities borrowed	17 517	322	1 716	777	1 014	–	21 346
Sovereign debt securities	12 728	15 094	10 190	8 607	9 157	5 122	60 898
Bank debt securities	2 408	387	217	3 854	5 596	43	12 505
Other debt securities	503	2	1 045	8 652	2 180	1 204	13 586
Derivative financial instruments	1 561	862	1 635	1 270	167	26	5 521
Securities arising from trading activities	–	1	30	204	63	4 542	4 840
Loans and advances to customers	28 913	19 024	27 443	144 261	31 257	15 330	266 228
Own originated loans and advances to customers securitised	–	7	–	33	648	6 989	7 677
Other loans and advances	355	–	–	–	–	–	355
Other assets	2 822	–	–	–	–	–	2 822
Total on-balance sheet exposures	**111 184**	**35 699**	**42 276**	**167 658**	**50 101**	**33 256**	**440 174**
Guarantees	1 153	1 455	4 418	4 340	3	586	11 955
Committed facilities related to loans and advances to customers	16 679	1 034	2 129	13 868	3 214	19 046	55 970
Contingent liabilities, letters of credit and other	690	339	702	4 496	205	1 308	7 740
Total off-balance sheet exposures	**18 522**	**2 828**	**7 249**	**22 704**	**3 422**	**20 940**	**75 665**
Total gross credit and counterparty exposures	**129 706**	**38 527**	**49 525**	**190 362**	**53 523**	**54 196**	**515 839**

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

Composition of core loans and advances

R'million	31 March 2019	1 April 2018
Loans and advances to customers per the balance sheet	263 537	246 759
Add: own originated loans and advances per the balance sheet	7 667	7 626
Net core loans and advances	**271 204**	**254 385**
Of which subject to ECL*	269 158	252 381
Net core loans and advances to customers at amortised cost and FVOCI	255 102	235 131
Net fixed rate loans which have passed the SPPI test designated at FVPL (for which management calculates ECL)^	14 056	17 250
Of which FVPL (excluding fixed rate loans above)	2 046	2 004
Add: ECLs	2 701	1 978
Gross core loans and advances to customers	**273 905**	**256 363**
Of which subject to ECL*	271 859	254 359
Of which FVPL (excluding fixed rate loans above)	2 046	2 004

^ *These are fixed rate loans which have passed the solely payments of principal and interest test 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 falls predominantly into Stage 1 (consistent throughout the period) R14 billion as at 31 March 2019 (1 April 2018: R17 billion). The related ECL on the portfolio is R29 million (1 April 2018: R54 million).*

* *Includes portfolios for which ECL is not required for IFRS 9 purposes but for which management evaluates ECL.*

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: 94.6% 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. Coverage for these performing, non-deteriorated assets is 0.2%.

Stage 2: 4.0% 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 4.1%. Only R354 million or 0.1% of gross core loans shown in Stage 2 are greater than 30 days past due. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 1.4% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. Coverage ratio totals 45.4% and the remaining net exposure is considered well covered by collateral. Stage 3 ECL is predominantly driven by specific impairments raised against the non-performing loan portfolio.

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

R'million	31 March 2019	1 April 2018
Gross core loans and advances subject to ECL	**271 859**	**254 359**
Stage 1	257 297	242 048
Stage 2	10 768	9 450
of which past due greater than 30 days	*354*	*313*
Stage 3	3 794	2 861
Gross core loans and advances subject to ECL (%)		
Stage 1	94.6%	95.2%
Stage 2	4.0%	3.7%
Stage 3	1.4%	1.1%

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

R'million	31 March 2019	31 March 2018^
ECL impairment charges on core loans and advances	(738)	n/a
Average gross core loans and advances subject to ECL	263 109	n/a
Income statement charge for impairments on core loans and advances	n/a	(701)
Average gross core loans and advances	n/a	247 786
Credit loss ratio (%)	**0.28%**	**0.28%**

^ *Comparative information has been presented on an IAS 39 basis. On adoption of IFRS 9 there is a move from incurred loss model to an ECL methodology.*

R'million	31 March 2019	1 April 2018
ECL	**(2 701)**	**(1 978)**
Stage 1	(538)	(593)
Stage 2	(441)	(269)
Stage 3	(1 722)	(1 116)
ECL coverage ratio (%)		
Stage 1	0.2%	0.2%
Stage 2	4.1%	2.8%
Stage 3	45.4%	39.0%

A further analysis of Stage 3 gross core loans and advances

R'million	31 March 2019	1 April 2018
Stage 3 net of ECLs	2 072	1 745
Aggregate collateral and other credit enhancements on Stage 3	3 055	3 553
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % gross core loans and advances subject to ECL	1.4%	1.1%
Total ECL impairments as a % of Stage 3 exposure	71.2%	69.1%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.8%	0.7%

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 1 April 2018 to 31 March 2019. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. 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, 1 April 2018. Further analysis as at 31 March 2019 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	Exposure	ECL	Exposure	ECL	Exposure	ECL	**Exposure**	**ECL**
01 April 2018	**242 048**	**(593)**	**9 450**	**(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	413	(66)	26	(5)	(439)	71	–	–
Net new lending and repayments	15 912	(185)	664	(100)	(499)	67	16 077	(218)
ECL re-measurement arising from transfer of stage	–	88	–	(109)	–	(512)	–	(533)
Changes to risk parameters and models	–	(24)	–	24	–	–	–	–
Exchange rate differences and other	1 148	(28)	300	–	(25)	55	1 423	27
31 Mar 2019	**257 297**	**(538)**	**10 768**	**(441)**	**3 794**	**(1 722)**	**271 859**	**(2 701)**

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

At 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 sponsor 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 continues to grow as a proportion of our net core loans exposures and totals R37.4 billion or 14.7% at 31 March 2019. Loan-to-value remain 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.

Lending collateralised by property

R'million	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			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
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 – investment	–	–	–	–	–	–	–	–	–	–
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**
At 1 April 2018										
Commercial real estate	**34 155**	**(55)**	**1 670**	**(8)**	**695**	**(272)**	**36 520**	**(335)**	**252**	**36 772**
Commercial real estate – investment	30 562	(43)	1 453	(8)	673	(256)	32 688	(307)	252	32 940
Commercial real estate – development	2 905	(7)	130	–	8	(2)	3 043	(9)	–	3 043
Commercial vacant land and planning	688	(5)	87	–	14	(14)	789	(19)	–	789
Residential real estate	**3 452**	**(53)**	**222**	**(8)**	**170**	**(80)**	**3 844**	**(141)**	**–**	**3 844**
Residential real estate – investment	–	–	–	–	–	–	–	–	–	–
Residential real estate – development	2 819	(35)	70	–	146	(59)	3 035	(94)	–	3 035
Residential vacant land and planning	633	(18)	152	(8)	24	(21)	809	(47)	–	809
Total lending collateralised by property	**37 607**	**(108)**	**1 892**	**(16)**	**865**	**(352)**	**40 364**	**(476)**	**252**	**40 616**

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 growth in particular has been encouraging with a total increase of 4.4% to R138.6 billion at 31 March 2019. Growth in both of these areas has been achieved with strong adherence to our conservative lending appetite.

High net worth and other private client lending

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 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**
At 1 April 2018										
Mortgages	66 536	(45)	659	(18)	874	(188)	68 069	(251)	–	68 069
High net worth and specialised lending	64 061	(152)	783	(21)	494	(264)	65 338	(437)	–	65 338
High net worth and other private client lending	**130 597**	**(197)**	**1 442**	**(39)**	**1 368**	**(452)**	**133 407**	**(688)**	**–**	**133 407**

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 risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. 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.

Investec 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 based on both historical and forecast information. We typically act as transaction lead arranger or on a 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 the UK, Western Europe, North America, Australia and Southern 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 to fund vehicles are secured against undrawn limited partner commitments and/or the funds underlying assets. Fund manager loans are structured against committed fund management cash flows, the managers' investment stake in their own funds and when required managers' personal guarantees
- **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 and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed and is a direct obligation of the company
- **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
- **Project 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 a requirement for a strong upfront equity contribution from an experienced sponsor.

Year in review

The corporate book increased by 5.8% to R86.3 billion as at 31 March 2019 as a result of increased lending activity by our mid-to-large corporate clients across a number of sectors. Our book remains well diversified across sectors and our SOEs exposure is predominantly backed by government support.

Corporate and other lending

R'million	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			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
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
Project finance	5 076	(9)	1 792	(11)	–	–	6 868	(20)	–	6 868
Resource finance	555	(1)	–	–	–	–	555	(1)	–	555
Total corporate and other lending	**79 781**	**(211)**	**4 810**	**(321)**	**780**	**(520)**	**85 371**	**(1 052)**	**1 952**	**87 323**
At 1 April 2019										
Acquisition finance	12 671	(74)	1 216	(21)	97	(2)	13 984	(97)	–	13 984
Asset-based lending	4 056	(41)	515	(10)	236	(149)	4 807	(200)	603	5 410
Fund finance	4 909	(5)	–	–	–	–	4 909	(5)	–	4 909
Other corporate and financial institutions and governments	43 489	(148)	3 181	(165)	156	(72)	46 826	(385)	1 149	47 975
Asset finance	2 596	(8)	57	(7)	24	–	2 677	(15)	–	2 677
Small ticket asset finance	2 184	(5)	41	(7)	–	–	2 225	(12)	–	2 225
Large ticket asset finance	412	(3)	16	–	24	–	452	(3)	–	452
Project finance	5 494	(11)	1 147	(11)	–	–	6 641	(22)	–	6 641
Resource finance	629	(1)	–	–	115	(89)	744	(90)	–	744
Total corporate and other lending	**73 844**	**(288)**	**6 116**	**(214)**	**628**	**(312)**	**80 588**	**(814)**	**1 752**	**82 340**

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 are focused on providing capital to entrepreneurs and management teams to further their growth ambitions as well as leverage third party capital into funds that are relevant to our client base. Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on an IPO, or sale of one of our investments. We have limited appetite for listed investments.
- **IEP Group:** Investec Bank Limited holds a 45.9% stake alongside third party investors and senior management of an business who hold the remaining 54.1%. 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.

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. Independent credit and investment committees exist in each geography where we assume investment risk.

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 executive 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.

The table below provides an analysis of income and revaluations of these investments

	Income/(loss) (pre-funding costs)					
For the year to 31 March 2019 R'million	Unrealised°	Realised°	Dividends	Other	**Total**	Fair value through equity
Unlisted investments	(1 000)	328	492	–	(180)	–
Listed equities	(345)	398	188	–	241	–
Investment and trading properties^	(826)	603	–	–	(223)	–
Warrants, profit shares and other embedded derivatives	(18)	221	–	–	203	–
The IEP Group	–	–	–	1 193	1 193	–
Total	**(2 189)**	**1 550**	**680**	**1 193**	**1 234**	**–**
For the year to 31 March 2018						
Unlisted investments	(261)	427	114	–	280	(2)
Listed equities	(498)	60	192	–	(246)	–
Investment and trading properties^	163	172	–	–	335	–
Warrants, profit shares and other embedded derivatives	(9)	218	–	–	209	–
The IEP Group	–	–	–	766	766	–
Total	**(605)**	**877**	**306**	**766**	**1 344**	**(2)**

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

^ *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 26.6 (1 April 2018: 26.8%).*

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 2019**	**Valuation change stress test 31 March 2019***	On-balance sheet value of investments 1 April 2018	Valuation change stress test 1 April 2018*
Unlisted investments^	7 036	1 055	4 313	647
Listed equities	3 034	758	2 988	747
Investment and trading properties^^	8 866	1 159	9 882	1 281
Warrants, profit shares and other embedded derivatives	174	60	213	74
The IEP Group∞	6 184	928	6 180	927
Total	**25 294**	**3 960**	**23 576**	**3 676**

^ *Includes fair value loan investments of R2.8 billion as referred to on page 223.*
^^ *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 26.6% (1 April 2018: 26.8%)*
∞ *As explained on page 55.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress-testing parameters are applied:*

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 2019, as reflected above, we could have a R3.9 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not 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.

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 85 for further detail.

Valuation and accounting methodologies

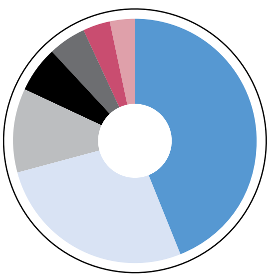
For a description of our valuation principles and methodologies refer to pages 208 and 214 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 1.49% of total assets (excluding assurance assets).

Refer to page 208 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 and the IEP Group)



31 MARCH 2019
R10 244 million

44.0%	Real estate
27.1%	Finance and insurance
11.0%	Communication
6.0%	Electricity, gas and water (utility service)
5.0%	Manufacturing and commerce
3.8%	Other
3.1%	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 those securitisations 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 40 for the balance sheet and credit risk classification.

The bank 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 R7.7 billion at 31 March 2019 (1 April 2018: R7.6 billion) and consist of residential mortgages. Within these securitisation vehicles loans greater than 90 days in arrears amounted to R31.1 million.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.6 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.7 billion notes of the original R1.5 billion are still in issue. R593 million of the notes are held internally
- Fox Street 3: R1.0 billion notes of the original R2.0 billion are still in issue. R192 million of the notes are held internally
- Fox Street 4: R1.9 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.9 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R1.3 billion notes of the original R1.3 billion are still in issue. R475 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 UK and European Residential mortgage backed securities (RMBS), totalling R0.2 billion at 31 March 2019 (1 April 2018: R0.2 billion), unrated South African RMBS totalling R1.1 billion at 31 March 2019 (1 April 2018: R1.0 billion) and unrated South African Commercial mortgage backed securities (CMBS) totalling R0.3 billion (01 April 2018: Rnil).

Accounting policies

Refer to pages 180 and 183.

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 26.

Credit analysis

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

Securitisation/structured credit activities exposures

Nature of exposure/activity	Exposure 31 March 2019 R'million	Exposure 1 April 2018 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	1 633	1 145	Other debt securities and other loans and advances	
Rated	167	165		
Unrated	1 466	980		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) – (net exposure)	220	265	Other loans and advances	
Private Client division assets – (net exposure)	7 667	7 630	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances

* *Analysis of rated and unrated structured credit*

R'million	AAA	AA	A	BBB	BB	B and below	C and below	Total rated	Total unrated	Total
UK RMBS	–	–	–	–	134	–	–	134	**–**	**134**
Australian RMBS	–	33	–	–	–	–	–	33	**–**	**33**
South African RMBS	–	–	–	–	–	–	–	–	1 133	**1 133**
South African CMBS	–	–	–	–	–	–	–	–	333	**333**
Total at 31 March 2019	**–**	**33**	**–**	**–**	**134**	**–**	**–**	**167**	**1 466**	**1 633**
Total at 1 April 2018	**–**	**36**	**–**	**–**	**129**	**–**	**–**	**165**	**980**	**1 145**

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 client 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 independent market risk teams in each jurisdiction where we assume market risk to identify, measure, monitor and manage market risk. The 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. A Market Risk Forum, mandated by IBL BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Risk limits across all trading desks are reviewed by the Market Risk Forum and recommended for approval at review ERRF or IBL ERC in South Africa and at ERC in the UK in accordance with the risk appetite defined by the board. Limit reviews approved at review ERRF and IBL ERC and any significant change would also be taken to policy ERRF 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, such as the effect of a one basis point change in interest rates. 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 review ERRF weekly and IBL ERC 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. 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 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 2019				31 March 2018			
R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
95% (one-day)								
Commodities	0.1	0.1	0.4	–	–	0.1	1.5	–
Equities	3.8	3.6	7.5	1.5	3.6	3.4	7.4	2.0
Foreign exchange	1.4	2.1	6.5	0.9	1.7	2.9	9.1	0.9
Interest rates	1.2	2.1	9.0	0.4	2.4	2.2	4.7	0.3
Consolidated*	**3.8**	**4.7**	**9.7**	**1.7**	**3.4**	**5.0**	**13.7**	**2.4**

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

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 2019**	31 March 2018
Commodities	0.2	0.1
Equities	7.1	7.1
Foreign exchange	2.2	3.7
Interest rates	1.7	4.1
Consolidated*	**6.6**	**8.8**

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

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but based on a one year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR as at 31 March 2018.

R'million	**31 March 2019 Year end**	31 March 2018 Year end
99% one-day sVaR	9.5	13.3

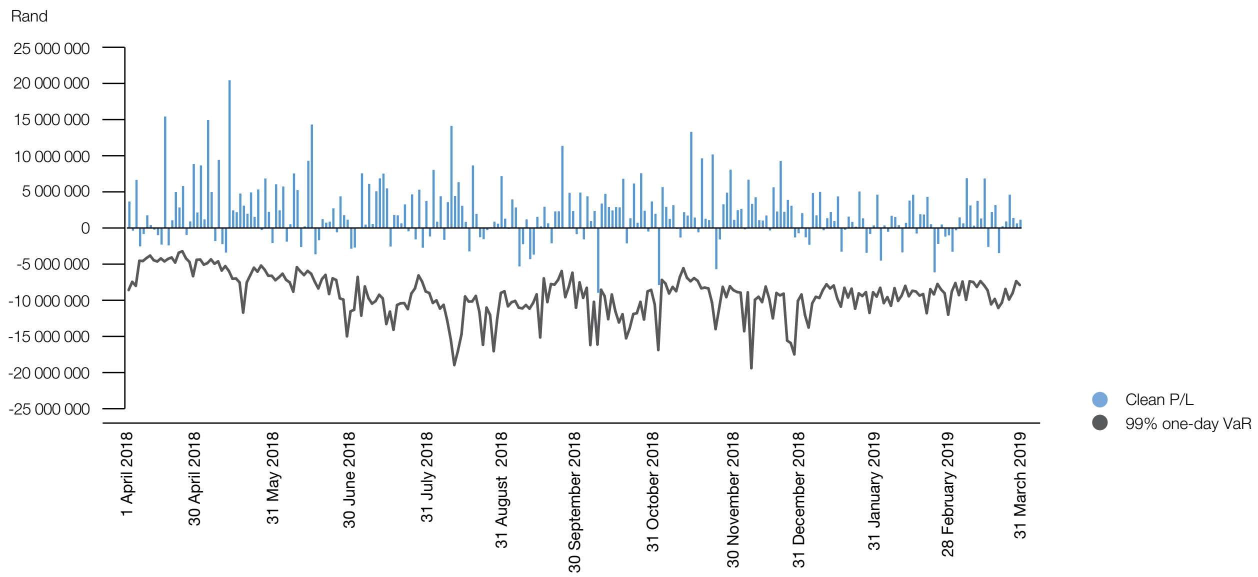
Backtesting

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. Hypothetical profit and loss excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions. 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 graphs that follow show the result of backtesting the total daily 99% one-day VaR against the hypothetical 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 VaR for the year ended March 2019 was lower than the previous year, primarily due to lower VaR utilisation across most trading desks. 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. This back testing resulted in zero exceptions which is below the expected number of two to three exceptions as implied by the 99% VaR model.

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise if 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.

For the year to R'million	31 March 2019 Year end	31 March 2019 Average	31 March 2019 High	31 March 2019 Low	31 March 2018 year end
99% (using 99% EVT)					
Commodities	1.4	1.2	2.8	0.2	0.2
Equities	25.6	20.7	48.2	4.8	13.9
Foreign exchange	8.9	20.2	48.5	3.1	20.1
Interest rates	3.9	11.4	50.8	0.9	13.5
Consolidated**	**18.0**	**25.5**	**52.0**	**5.7**	**29.6**

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

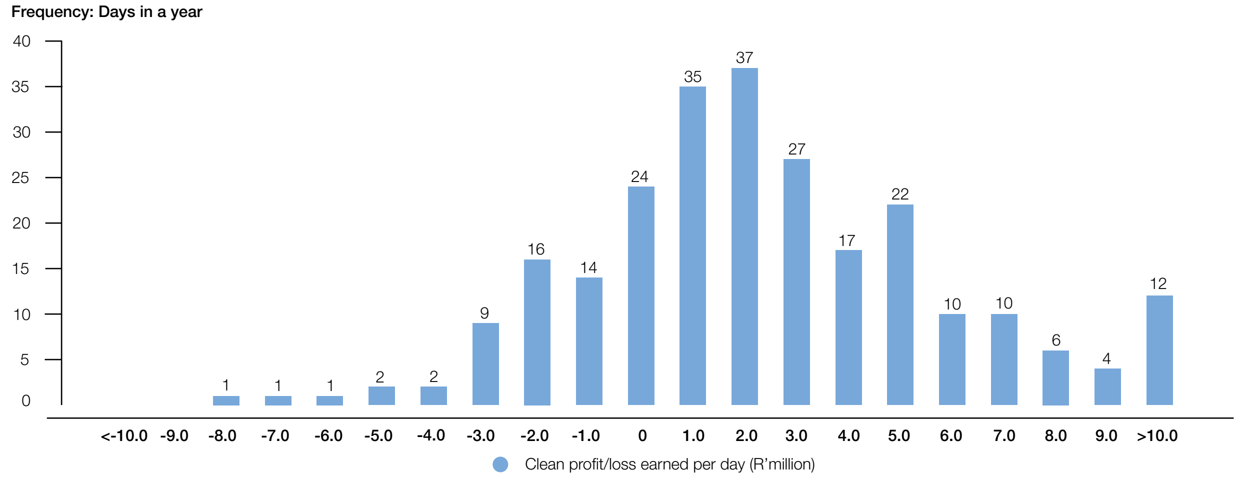
Capital

We have internal model approval from the South African Prudential Authority for general market risk for all trading desks and therefore 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 180 days out of a total of 250 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2019 was R2.0 million (2018: -R0.7 million).

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



Traded market risk year in review

In South Africa, the optimism experienced during early 2018 was replaced by concerns over the financial health of state-owned enterprises and policy uncertainty surrounding the expropriation of land without compensation. South Africa's credit rating has remained under spotlight. The Rand was under pressure during the period, down 22% year-on-year against the US Dollar. Globally, the ongoing US-China Trade war impacted emerging-market economies whilst further Brexit uncertainty added to volatile markets. Against this challenging economic backdrop, the trading desks have performed well, primarily focusing on client facilitation whilst maintaining low levels of open risk. This is reflected in a decrease in average VaR utilisation as compared to the previous 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 credit 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 222 in volume three.

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 boards, the group has established ALCOs within each core geography in which it operates, 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 region 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 within each jurisdiction 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 wholesale 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 short-term and long-term 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 respective geographies, and are responsible for independently 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 the independent 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, IBL 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 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 Prudential Authority and 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 asset and liability 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 on cash flow, liquidity, profitability and solvency position, 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 tests '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 threatens 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. The system is audited by Internal Audit thereby ensuring integrity of the process.

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.

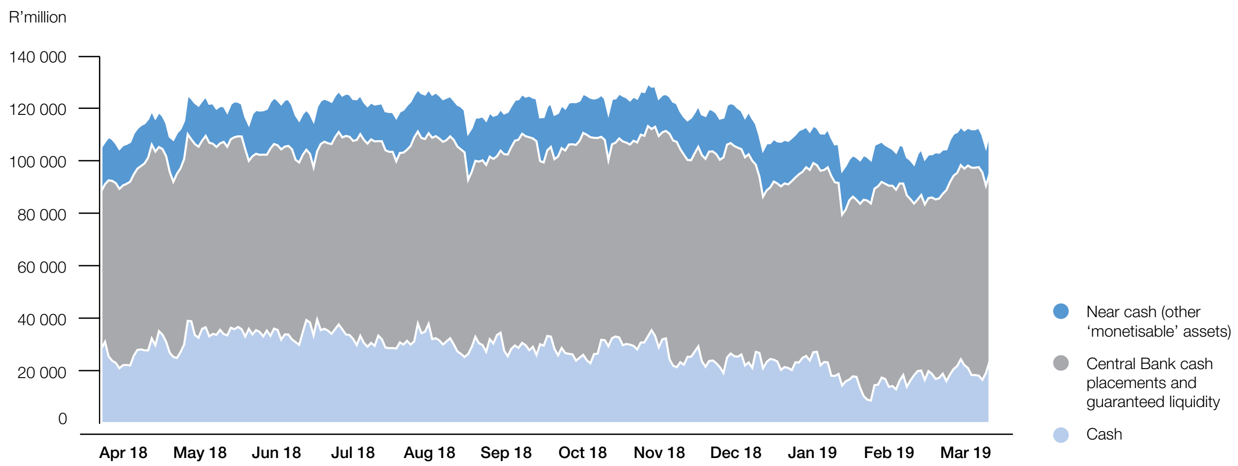
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, 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.

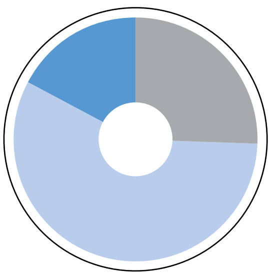
Liquidity buffer

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



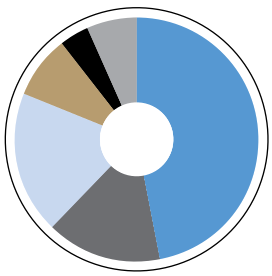
An analysis of cash and near cash at 31 March 2019



R118.4 billion

25.8%	Cash
57.0%	Central Bank cash placements and guaranteed liquidity
17.2%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 31 March 2019



R373.3 billion

47.1%	Other financials
15.3%	Non-financial corporates
18.9%	Individuals
8.4%	Banks
3.9%	Small business
6.4%	Public sector

The liquidity position of the group remained sound with total cash and near cash balances amounting to R118.4 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.

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 219 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 liquidity mismatch across our core geographies.

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

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

- *Liquidity buffer*: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits*: the contractual repayments of many deposits are on demand, or at notice, but in reality 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 2019

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	28 547	840	370	–	98	–	2 560	32 415
Cash and short-term funds – non-banks	11 580	271	338	–	–	–	3	12 192
Investment/trading assets and statutory liquids	48 474	45 461	10 668	3 271	4 587	29 520	28 934	170 915
Securitised assets	–	–	–	–	–	3 833	4 128	7 961
Advances	4 773	6 314	11 622	12 537	17 574	109 005	102 041	263 866
Other assets	(163)	544	812	173	40	3 680	14 757	19 843
Assets	**93 211**	**53 430**	**23 810**	**15 981**	**22 299**	**146 038**	**152 423**	**507 192**
Deposits – banks	(366)	–	(1 268)	(598)	(349)	(28 747)	(407)	(31 735)
Deposits – non-banks	(146 327)	(20 160)	(58 278)	(31 857)	(42 945)	(39 247)	(2 764)	(341 578)
Negotiable paper	–	(288)	(885)	(938)	(1 519)	(6 337)	(2 361)	(12 328)
Securitised liabilities	–	–	–	–	–	(859)	(861)	(1 720)
Investment/trading liabilities	(2 076)	(17 999)	(2 340)	(1 290)	(1 494)	(9 853)	(2 425)	(37 477)
Subordinated liabilities	–	(19)	(4)	–	–	(4 202)	(11 632)	(15 857)
Other liabilities	(2 157)	(717)	(1 411)	(93)	(453)	(563)	(5 488)	(10 882)
Liabilities	**(150 926)**	**(39 183)**	**(64 186)**	**(34 776)**	**(46 760)**	**(89 808)**	**(25 938)**	**(451 577)**
Total equity	–	–	–	–	–	–	(55 615)	(55 615)
Contractual liquidity gap	**(57 715)**	**14 247**	**(40 376)**	**(18 795)**	**(24 461)**	**56 230**	**70 870**	**–**
Cumulative liquidity gap	(57 715)	(43 468)	(83 844)	(102 639)	(127 100)	(70 870)	–	–

^ *Includes call deposits of R137 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 66.

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	**35 248**	**3 762**	**2 479**	**(5 744)**	**(8 128)**	**(167 257)**	**139 640**	**–**
Cumulative	35 248	39 010	41 489	35 745	27 617	(139 640)	–	–

Regulatory requirements

In response to the global 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.

Investec Limited, 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
- South Africa has an insufficient supply of level 1 assets in domestic currency to meet the aggregate demand.

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 Prudential Authority exercised national discretion and has announced:

- The introduction of a Committed Liquidity Facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF is limited to 40% of Net Outflows under the LCR. Investec Bank Limited does not make use of the CLF offered by the South African Prudential Authority
- A change to the available stable funding factor as applied to less than six months term deposits from the financial sector. The change recognises 35% of less than six months financial sector deposits which has the impact of reducing the amount of greater than six months term deposits required by local banks to meet the NSFR, and will therefore mitigate 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.

Balance sheet risk year in review

- The group maintained its strong liquidity position and continued to hold high levels of surplus liquid assets
- Our liquidity risk management process remains robust and comprehensive.

The country continued to confront an uncertain economic environment for the better part of 2018, following the initial excitement and optimism following the ascension of Cyril Ramaphosa to the ANC Presidency. The problems facing state owned enterprises and the realities of state capture came to the fore and the euphoria following the ANC elective conference quickly subsided. Risks to the fiscus emanating from SOEs like Eskom, Transnet, SAA, SARS and PRASA continued to pose major challenges. On the global front, trade tensions, slowing economic growth and Brexit uncertainty started becoming a prominent feature of the local economic environment which transitioned us from risk-on sentiment.

In line with its strategic objectives, Investec Bank Limited took actions to improve the stability and structural shape of its funding profile. We elected to early refinance long term Non-ZAR funding in an effort to take advantage of favourable funding spreads, Investec Bank Limited grew its total customer deposits by 6.2% from R321.9 billion to R341.7 billion as at 31 March 2019. Our private client funding initiatives had a strong year growing by 10.5% to close the year at R145.9 billion positively contributing to Investec Bank Limited's strategic funding objective. We continue to derive funding growth out of our Private Banking franchise achieving 13.5% growth from our core franchise client base.

Over the same period ZAR Wholesale funding channels grew by 3.1% to R195.8 billion with a strong focus on lengthening tenor. We are cognisant of the cost implications of long-term funding and will continue to opportunistic in our efforts to fetch this class of deposits.

We continue to run a strong liquidity position in the face of both macro and micro economic uncertainty. We delivered liquidity ratios well in excess of regulatory requirements. The 90-day simple average LCR ended the financial year at 135.6% a 1.3% improvement from 31 March 2018. The structural funding ratio represented by the NSFR was adopted officially as a regulatory measure from 1 January 2019 with a minimum of 100%. Investec Bank Limited delivered an NSFR of 115.6% over the period under review well in excess of regulatory requirement.

We continue to improve balance sheet efficiency by improving our wholesale and retail funding channels and mix. Our funding channels are characterised by their well-diversified structure and are robust enough to meet and deal with any disruptions the economy may encounter throughout the year.

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 retail and wholesale (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 policy and 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 group'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.

We are exposed to automatic optionality risk for those lending products where the bank applies a minimum lending rate. This is an income protection mechanism allowing for upward potential and no downside risk. We are not materially exposed to behavioural embedded option risk, as contract breakage penalties on fixed-rate items specifically cover this risk, while early termination of variable rate contracts has negligible impact on interest rate risk.

The group has a relatively small endowment risk due to paying market rates on all deposits, compared to banks with significant low or non-interest-bearing current and cheque accounts. Endowment risk due to free funding, comprising mainly ordinary share capital and reserves, is managed passively, with the focus on measuring and monitoring. The endowment risk is included within our non-trading interest rate risk measures.

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 2020.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2019. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	19 126	–	–	–	–	11 504	30 630
Cash and short-term funds – non-banks	12 183	–	–	–	–	9	12 192
Investment/trading assets and statutory liquids	49 562	16 446	10 842	12 535	11 547	47 699	148 631
Securitised assets	7 728	–	–	–	–	233	7 961
Advances	252 956	3 287	765	4 679	1 150	856	263 693
Other assets	2 293	177	(5 133)	1 917	(219)	13 830	12 865
Assets	**343 848**	**19 910**	**6 474**	**19 131**	**12 478**	**74 131**	**475 972**
Deposits – banks	(30 965)	(275)	(406)	(17)	–	(72)	(31 735)
Deposits – non-banks	(266 705)	(24 953)	(33 360)	(10 477)	(727)	(4 790)	(341 012)
Negotiable paper	(7 678)	(355)	(789)	(570)	–	(80)	(9 472)
Securitised liabilities	(1 720)	–	–	–	–	–	(1 720)
Investment/trading liabilities	(1 233)	–	–	(197)	–	(7 231)	(8 661)
Subordinated liabilities	(15 413)	–	–	–	(441)	(3)	(15 857)
Other liabilities	–	–	–	–	–	(9 187)	(9 187)
Liabilities	**(323 714)**	**(25 583)**	**(34 555)**	**(11 261)**	**(1 168)**	**(21 363)**	**(417 644)**
Total equity	(953)	–	–	–	–	(54 662)	(55 615)
Balance sheet	**19 181**	**(5 673)**	**(28 081)**	**7 870**	**11 310**	**(1 894)**	**2 713**
Off-balance sheet	(21 085)	16 374	23 363	(15 341)	(6 024)	–	(2 713)
Repricing gap	**(1 904)**	**10 701**	**(4 718)**	**(7 471)**	**5 286**	**(1 894)**	**–**
Cumulative repricing gap	(1 904)	8 797	4 079	(3 392)	1 894	–	

Economic value sensitivity at 31 March 2019

As outlined above, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect 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	(871.0)	(0.4)	19.0	(0.3)	0.1	–	(607.0)
200bps up	707.9	0.7	(11.4)	(2.8)	0.1	–	511.5

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 90 calendar daily values over the period 1 January 2018 to 31 March 2019 for Investec Bank Limited (IBL) bank solo. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of January, February and March 2019 month-end values.

The minimum LCR requirement is 100% for 2019, having increased by 10% for both IBL bank solo and IBL consolidated group.

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

Investec Bank Limited (IBL) Bank 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 Prudential Authority repo
- On average, Level 2 assets contributed 5% of total HQLA. Since 1 December 2017, we have not made use of the South African Prudential Authority's committed liquidity facility (CLF)
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2018 quarter-end:

The average LCR decreased by 4%, and remains fully compliant with regulatory requirements, and within the target range as set by the board.

Investec Bank Limited Consolidated group

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

At 31 March 2019 **R'million**	**Investec Bank Limited Bank Solo – Total weighted value**	**Investec Bank Limited Consolidated group – Total weighted value**
High quality liquid assets (HQLA)	81 086	82 331
Net cash outflows	59 881	57 018
Actual LCR (%)	**135.6**	**144.6**
Required LCR (%)	100.0	100.0

Net stable funding ratio (NSFR)

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

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

The values in the table are calculated as at 31 March 2019.

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

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

Investec Bank Limited Bank (IBL) Solo

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

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

Investec Bank Limited Consolidated group

Only banking and/or deposit-taking entities are included and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 97% of the group's combined available and required stable funding. The consolidated group NSFR is slightly higher than IBL solo's with the contribution of IBM's capital to available stable funding.

At 31 March 2019 **R'million**	**Investec Bank Limited Bank Solo – Total weighted value**	**Investec Bank Limited Consolidated group – Total weighted value**
Available stable funding (ASF)	303 165	315 194
Required stable funding (RSF)	262 357	269 824
Actual NSFR (%)	**115.6**	**116.8**
Required NSFR (%)	100.0	100.0

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 bank 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 Tolerance 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 level of risk appetite. Any breaches of limits are escalated to DLC BRCC on a regular basis.

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 from January 2022.

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 bank, 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 manage operational risk operates in terms of a levels of defence model which reinforces accountability by setting roles and responsibilities for managing operational risk.

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	Metrics 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.

Operational risk events

The group aims to manage all risk events within the agreed operational risk appetite levels. In 2019, the majority of operational risk losses occurred in the following categories: execution, delivery and process management event and fraud.

The value of these losses are largely driven by a small number of isolated events. Root cause analyses are performed on risk events to ensure steps are taken to mitigate against re-occurrence and to protect our customers and shareholders.

Looking forward

Key operational risk considerations for the year ahead

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Business resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintain business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establish 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 • Conduct validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhance the bank's global resilience capability through a team of dedicated resources and robust governance processes • Participate in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks
Cyber security	
Risk associated with cyberattacks which can interrupt client services or business processes, or result in financial losses	• Maintain a risk-based strategy to ensure the bank's is adequately protected against advanced cyberattacks, incorporating prediction, prevention, detection and response capabilities • Manage an adaptive cybersecurity architecture, ensuring consistent coverage of baseline cyber controls, with continual monitoring for visibility and proactive response to evolving cyber threats • Enhance cyber resilience by aligning security incident response with crisis management and business resilience processes • Validate the effectiveness of cyber controls through regular penetration testing and targeted attack simulations, run both internally and in conjunction with independent external specialists • Embed secure software development and testing practices to ensure IT systems are secure by design • Provide ongoing security training to staff to ensure high levels of awareness and vigilance
Anti-Money Laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Continuous enhancement of AML and sanctions control systems across the bank • Refinement of risk management methodology with the aim to risk rate clients better allowing more effective resource allocation based on the risk posed to the bank • Further enhancing the transaction monitoring environments with an aim to detect AML related activities • Continuous monitoring of adherence to AML policies and legislative requirements • AML awareness remains a key component of the control environment. The awareness is supported by mandatory training for all staff and specialist training for AML roles • Participate at industry body levels to manage legislative requirements through engagement with regulators
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhance the bank's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintain an independent integrity line to ensure staff is able to report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continue to focus on training staff, educating clients and intermediaries on fraud prevention and detection • Participate in industry working groups to gain an understanding of current trends in order to enhance the control environment

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Information security	
Risk associated with the compromise of information assets which can impact their confidentiality, integrity, or availability	• Identify high-value information assets based on confidentiality and business criticality • Manage role-based access to business systems and data, in support of least-privilege and segregation of duty principles • Implement strong security controls to protect information against unauthorised access or disclosure, and reduce opportunity for data compromise • Maintain safeguards to protect confidential physical documents and facilitate secure destruction • Develop mechanisms to monitor for and respond to data breaches in line with relevant privacy laws • Protect and monitor internal and external information flows to ensure data completeness and integrity • Develop data retention and destruction processes based on business needs, whilst meeting applicable regulatory compliance obligations
Outsourcing and third party	
Risk associated with the reliance on, and use of a service provider to provide services to the group	• Governance structures are in place to approve outsource and third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of the outsource and third party providers • Continue to strengthen governance processes and relevant policies relating to how we identify, assess, mitigate and manage risks across the range of outsource and third party providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party
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 implement adequate and effective controls including the management of change • Address 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 • Align regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures • Manage business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments (Refer to the compliance section page 93) • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensure that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk
Technology availability	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Continue to align IT architecture and standards across the bank, to reduce technical complexity and leverage common functions and services • Further enhance IT operational processes, including management of IT changes to minimise adverse impact, and response to IT incidents for swift resolution and root cause analysis • Drive automation to reduce human error whilst enhancing efficiency • Implement strategic infrastructure and application roadmaps, leveraging new technologies to enhance capacity, scalability, security, and reduce reliance on legacy IT systems • Establish effective, proactive monitoring of the technology environment, providing continual visibility of the health and performance of IT systems and processes • Maintain and test IT resilience capabilities to withstand failure and minimise service disruption

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 recover from extreme financial stress to avoid liquidity and capital difficulties in the group. The plan is reviewed and approved by the 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
- 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 Prudential Authority 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 Prudential Authority has been incorporated into Investec's recovery plan.

The South African Prudential Authority has continued to focus on finalising the recovery plans for the local banks 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. Reputational risk is often associated with strategic decisions made and also 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. 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 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. The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

Conduct risk

The Financial Sector Regulation Act (Twin Peaks), which became effective in April 2018, transformed the Financial Services Board into the Financial Sector Conduct Authority (FSCA). The FSCA has jurisdiction to regulate the conduct of all financial institutions. National Treasury and the FSCA are reviewing the legislative framework to align to the mandate of the new conduct regulator.

The draft Conduct of Financial Institutions Bill (COFI) was published for comment in December 2018. The intention is that the COFI Bill, once enacted, will consolidate and strengthen conduct laws and ensure financial inclusion and transformation of the financial sector.

Investec Limited continues to align its conduct framework to developing legislative requirements and applicable best practice.

Climate related financial disclosures (TCFD)

We recognise and support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to disclose clear, comparable and consistent information. This is the start of a long-term process to build a better understanding of environmental, social and governance (ESG) and climate-related risks and opportunities and consequently improve our disclosures in this regard.

Governance

Climate related risk considerations are integrated into multidisciplinary companywide management processes throughout the Investec group. We are guided by our climate change statement and policies on environmental and social risk. The board has the ultimate responsibility to monitor that the group is operating as a responsible corporate. The DLC SEC committee takes overall responsibility for reviewing ESG aspects, including policy and strategic intent, and meets four times a year. The DLC SEC supports the board in its duties to protect and endorse Investec's reputation for responsible corporate conduct. In the past year the board discussed and monitored the various elements of good corporate citizenship including, but not limited to, environmental (including climate change related risks and opportunities), health and public safety, including the impact of the bank's activities and of its products and services. The board satisfied itself that the bank's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced.

A variety of environmental, social and macro-economic risk considerations are considered by the credit and investment committees when making lending or investment decisions. Divisional risk forums assess new deals for financial soundness including ESG due diligence.

We engage with our clients on sustainability issues in order to minimise the risks and require clients to meet appropriate technical, governance, transparency, social and environmental standards.

In view of the increasing challenges globally, financial risks along with environmental and social risks are regularly monitored and reviewed to ensure our policies and practices remain relevant and appropriate for the Investec group.

Strategy

As a distinctive financial institution, we are aware of our broader social responsibility and play a critical role in funding a stable and sustainable economy that contributes to our communities and is cognisant of climate change and our planet's limited natural resources.

We recognise the need to move as quickly and smoothly as possible towards a low-carbon economy while always being mindful of the socio-economic consequences of this transition. We also recognise the importance of various industries, including the energy sector, for the global economy. At the same time, their potential impacts on local communities and the environment needs to be taken into account. All these socio-economic and environmental factors need to be assessed in order to ensure an orderly transition.

Our strategy is based on the following:

- we believe that the widest and most positive influence we can have is for our businesses to use their specialist skills in advisory, lending and investing to support our clients and stakeholders. This not only navigates risks, but also takes advantage of the opportunities that sustainable growth presents. An important aspect of our approach is a deliberate focus on financing infrastructure solutions that promote renewable and clean energy and we have developed strong expertise in this sector
- we embrace our responsibility to understand and manage our own carbon footprint. Our approach is to limit and minimise our direct carbon impact and create awareness to encourage positive sustainable behaviour. We are exploring various opportunities as we work towards our ultimate goal of becoming carbon neutral in our operations
- where appropriate, we will share resources and intelligence to support global efforts to combat illegal wildlife trade. We are signatories to the United for Wildlife Financial Taskforce which leverages the existing global financial crime architectures to support efforts to combat illegal wildlife trade.

Risk management

The group supports international best practices regarding the responsibilities of the financial sector in financing and investing transactions. Social, environmental and ethical risk considerations are implicit in our values, culture and code of conduct and are applied as part of our ESG risk framework.

In particular, the following factors are taken into account when a transaction is evaluated and approved or declined based on sustainability considerations:

- Climate change and environmental considerations (including animal welfare)
- Social considerations
- Ethical considerations (including human rights)
- Macro-economic considerations.

We have a policy on environmental and social risk practices for both our lending and financing activities as well as our investment activities (including more detailed guidance for certain high-risk industries). This policy guides us in identifying and managing potential adverse impacts to the environment and to human rights, as well as the associated risks affecting our clients and our business. We have identified certain controversial activities we will not engage in, or will only participate under stringent criteria. As part of this commitment, we also engage with clients and suppliers to further understand their processes and policies and to explore how environmental and social risks may be mitigated. The objective of the ESG risk framework is to enable the business to identify, assess and manage a number of relevant risks at various stages of the lending and the investment process.

The bank will avoid exposures to any lending and investments that involve:

- Undue damage to high conservation and/or protected environmental areas
- Forced labour or child labour
- The production and trade of controversial or military weapons or ammunitions
- The production or trade in any product or activity deemed illegal under the country of operation's laws and regulations.

Any lending or investment activities with a corporate involved in transactions in the following activities requires stringent escalation to Policy ERRF:

- The production and trade in radioactive materials
- The production of harmful or addictive substances
- Activities that involve early drug testing on humans
- Activities that involve any form of testing on animals.

We follow the guidelines supplied by the International Finance Corporation (IFC) to categorise our general finance, lending and investing activities, into high, medium and low risk.

- **High risk:** Proposed funding or investment is likely to have significant adverse social or environmental impacts that are diverse, irreversible or unprecedented
- **Medium risk:** Proposed funding or investment likely to have potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- **Low risk:** Proposed funding or investment is likely to have minimal or no social or environmental impacts. Primarily services, consulting, training and education, trading, retail sales, etc.

We provide training on ESG risks and opportunities to staff through our credit college and have an ESG guideline handbook that is available to assist all staff in assessing ESG matters.

www ***For more information, please refer to our climate change, environmental and social risk policy on our website.***

Metrics and targets

We recognise that effective environmental management is an essential part of managing our carbon impact and are committed to operating an effective environmental management system (EMS) compliant with King IV in South Africa. Further to this, our EMS reporting tool allows us to track and manage our direct operational impact.

www ***For details on our commitment please refer to our environmental policy statement on our website.***

In terms of our business impact, there is still a large degree of uncertainty around climate scenario analysis for the financial sector. We have embarked on a process to collect and disclose the relevant metrics and targets for potential climate risks and opportunities for our business and will enhance these disclosures within the five-year pathway, as outlined by the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

We also participate in the sustainable finance committee (a sub-committee of the South African Bankers Association) where climate change and climate related scenario analysis are regularly discussed and will continue to monitor our reporting in terms of industry best practice.

Capital management and allocation

Regulatory capital – Investec Limited

Current regulatory framework – Investec Limited

Investec Limited is regulated by the South African Prudential Authority.

Investec Limited calculates capital resources and requirements using the Basel III framework, as implemented in Southern Africa by the South African Prudential Authority in accordance with the Regulations relating to Banks, Gazette No. 35950, 12 December 2012 – (The Regulations), Banks Act, 1990 (Act No. 94 of 1990) – (The Act) and relevant published Banks Act Circulars, Guidance notes and Directives. The South African capital framework was legislated in Banks Act Directive 6 of 2016 that stipulates the various capital Tiers, together with various related elements specified in the Regulations and in the Basel III framework, including the systemic risk capital requirements (Pillar IIA), the bank specific individual capital requirement (ICR, also known as Pillar IIB), and the phasing in of the related minimum requirements from 2016 up to 2019 and thereafter. The higher loss absorbency (HLA) requirement for domestic systemically important banks (D-SIB) is regarded as an extension of the capital conservation buffer (CCB) of which the first 50%, up to a maximum of 1% of risk weighted exposures (RWE), must be fully met by CET 1 capital. The South African Prudential Authority continuously assesses Investec Limited's ICR as part of its Supervisory Review and Evaluation Process (SREP) of which ICR may be based on the levels of economic capital Investec Limited holds to cover risks not regarded as Pillar 1 risks, as observed in the internal capital adequacy assessment process (ICAAP). Investec Limited maintains an additional discretionary capital buffer above the specified minimum requirements to ensure that the execution of internal business objectives or the occurrence of adverse external environmental factors do not prevent the Group from operating above the relevant minima. In line with Banks Act Circular 6 of 2016, banks in South Africa should not disclose to the public their ICR or D-SIB requirements as these are bank-specific requirements that are based on a combination of various qualitative and quantitative factors that are not directly comparable across banks.

South Africa has not announced any Counter Cyclical Capital Buffer (CCyB) requirements. The institution specific CCyB requirement, held for purposes of the reciprocity requirement, is calculated based on private sector non-bank exposures held in the Basel member jurisdictions in which a buffer rate has been set. As at 31 March 2019 Investec Limited is holding an institution specific CCyB of 0.028% of RWE. Investec Limited continues to hold capital in excess of relevant capital minima's and capital buffer requirements.

For the year ending 31 March 2019, Investec Limited applied the standardised approach to calculate its credit risk, counterparty credit risk and operational risk capital requirements. Capital requirements for equity risk is calculated using the internal ratings-based (IRB) approach by applying the simple risk-weight method. The market risk capital requirement is measured using an internal risk management model, approved by the South African Prudential Authority.

Investec Bank Limited was granted approval by the Prudential Authority in March 2019 to calculate its minimum capital requirements in respect of credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB); and for wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB) effective 1 April 2019. In this regard, we have provided pro-forma (unaudited) amounts of the impact of our IRB approvals as at 31 March 2019.

Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the Group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Regulatory considerations

The South African Prudential Authority issued Banks Act Guidance note 6 of 2018 that specifies the proposed implementation dates of BCBS regulatory reforms relevant to Banks in South Africa. The Prudential Authority has agreed to preliminary implementation dates for each regulatory reform, based on industry comments, quantitative impact studies, global considerations and implementation complexity. Reforms that will impact Investec Limited in the short- to medium-term include: capital requirements for equity investments in funds and bank exposures to central counterparties, revisions to the securitisation framework, standardised approach for measuring counterparty credit risk and the new large exposures framework. The PA is in the process of amending the Banks Regulations to incorporate regulatory reforms that will be implemented in South Africa in Q4 of 2019 together with a statement of the expected impact.

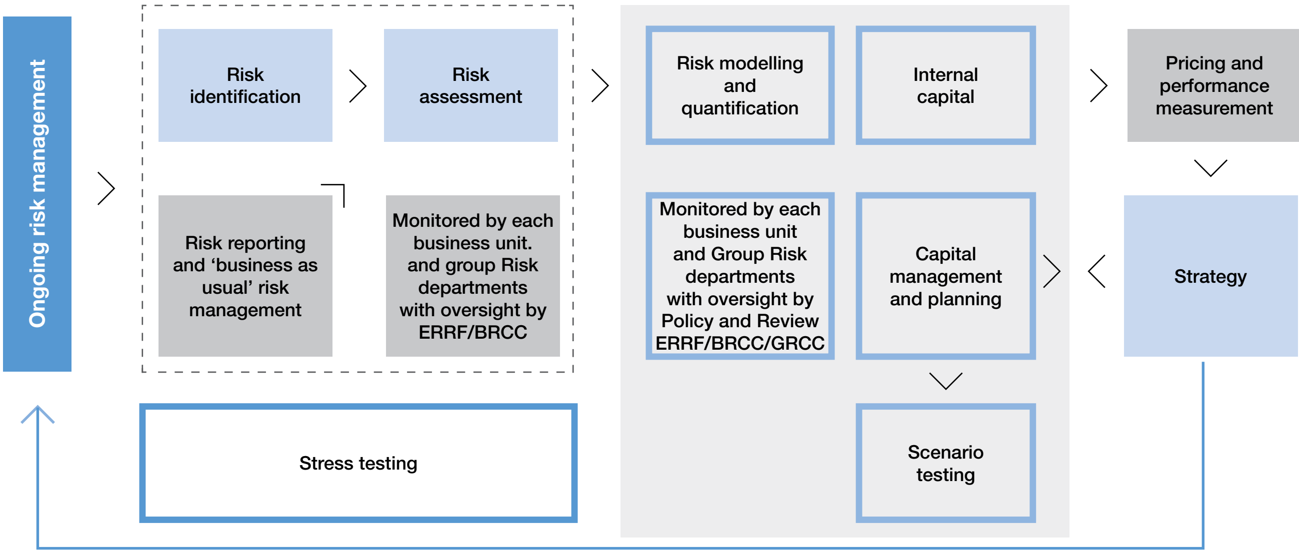
The remainder of the regulatory reforms are likely to be implemented in Southern Africa in line with BCBS timelines on 1 January 2022.

In addition, the Prudential Authority is in the process to consult with Banks in anticipation of the promulgation of the resolution bill that will provide the resolution authority the powers to resolve the failure of financial institutions in a way that will mitigate any negative impact on South Africa's financial stability and minimise macro-economic cost. The resolution bill, as enacted in the Financial Sector Regulation Act (9/2017) of which commencement dates are stipulated in government gazette No 41549, will impact the way which the Group will treat existing and future regulatory capital instruments for purposes of the loss absorbency requirements.

Investec Limited continues to assess and monitor the impact of new Regulations and regulatory reforms through participation of industry Quantitative Impact Studies (QIS) submissions to the Prudential Authority and presenting updates and impacts of the reforms to senior executives at the DLC Capital Committee and the Board.

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 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 Prudential Authority 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 2018. Following guidance from the South African Prudential Authority, Investec applies the rules as outlined in the most recent BCBS publication.

Leverage ratio target

Investec is currently targeting a leverage ratio above 6%.

Capital management

Philosophy and approach

Both the Investec Limited and Investec plc groups operate 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 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 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 237 to 243.

	Pro-foma 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	931	931	1 155	1 157
Cash flow hedging reserve	931	931	931	931
Adjustments under IFRS 9 transitional arrangement	–	–	224	226
Deductions	(3 825)	(3 461)	(2 971)	(2 776)
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)	–	–
Other regulatory adjustments	(371)	(35)	(204)	(35)
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 interests	(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.*

^ *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 structure and capital adequacy *(continued)*

At 1 April 2018 **R'million**	Investec Limited*^	IBL*^
Tier 1 capital		
Shareholders' equity	35 265	35 637
Shareholders' equity per balance sheet	38 448	37 171
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	9 503	–
Non-controlling interests excluded for regulatory purposes	(9 503)	–
Regulatory adjustments to the accounting basis	1 358	1 345
Cash flow hedging reserve	993	994
Adjustment under IFRS 9 transitional arrangements	365	351
Deductions	(2 773)	(2 696)
Goodwill and intangible assets net of deferred tax	(624)	(583)
Investment in financial entity	(2 149)	(2 113)
Common equity tier 1 capital	**33 850**	**34 286**
Additional tier 1 capital	**2 785**	**963**
Additional tier 1 instruments	5 617	1 884
Phase out of non-qualifying additional tier 1 instruments	(2 830)	(921)
Non-qualifying surplus capital attributable to non-controlling interests	(72)	–
Non-controlling interest in non-banking entities	70	–
Tier 1 capital	**36 635**	**35 249**
Tier 2 capital	**12 429**	**14 090**
Collective impairment allowances	716	716
Tier 2 instruments	15 013	13 374
Non-qualifying surplus capital attributable to non-controlling interests	(3 300)	–
Total regulatory capital	**49 064**	**49 339**
Risk-weighted assets	**337 892**	**320 475**
Capital ratios		
Common equity tier 1 ratio	10.0%	10.7%
Tier 1 ratio	10.8%	11.0%
Total capital adequacy ratio	14.5%	15.4%

* *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 25bps and 13bps lower respectively.*

Capital structure and capital adequacy (continued)

At 31 March 2018 R'million	Investec Limited*^	IBL*^
Tier 1 capital		
Shareholders' equity	36 159	36 531
Shareholders' equity per balance sheet	39 342	38 065
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	9 503	–
Non-controlling interests excluded for regulatory purposes	(9 503)	–
Regulatory adjustments to the accounting basis	993	994
Cash flow hedging reserve	993	994
Deductions	(2 773)	(2 696)
Goodwill and intangible assets net of deferred tax	(624)	(583)
Investment in financial entity	(2 149)	(2 113)
Common equity tier 1 capital	**34 379**	**34 829**
Additional tier 1 capital	**2 785**	**963**
Additional tier 1 instruments	5 617	1 884
Phase out of non-qualifying additional tier 1 instruments	(2 830)	(921)
Non-qualifying surplus capital attributable to non-controlling interests	(72)	–
Non-controlling interest in non-banking entities	70	–
Tier 1 capital	**37 164**	**35 792**
Tier 2 capital	**12 348**	**14 009**
Collective impairment allowances	635	635
Tier 2 instruments	15 013	13 374
Non-qualifying surplus capital attributable to non-controlling interests	(3 300)	–
Total regulatory capital	**49 512**	**49 801**
Risk-weighted assets	**338 484**	**320 607**
Capital ratios		
Common equity tier 1 ratio	10.2%	10.9%
Tier 1 ratio	11.0%	11.2%
Total capital adequacy ratio	14.6%	15.5%

* *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 25bps and 13bps lower respectively.*

Capital requirements *(continued)*

At 31 March 2019 R'million	Investec Limited*	IBL*
Capital requirements	**41 703**	**39 237**
Credit risk	33 649	33 341
Equity risk	2 701	1 863
Counterparty credit risk	711	732
Credit valuation adjustment risk	356	391
Market risk	641	381
Operational risk	3 645	2 529
At 1 April 2018		
Capital requirements	**37 590**	**35 653**
Credit risk	29 323	28 855
Equity risk	2 797	2 521
Counterparty credit risk	653	655
Credit valuation adjustment risk	695	697
Market risk	609	502
Operational risk	3 513	2 423
At 31 March 2018		
Capital requirements	**37 656**	**35 668**
Credit risk	29 389	28 870
Equity risk	2 797	2 521
Counterparty credit risk	653	655
Credit valuation adjustment risk	695	697
Market risk	609	502
Operational risk	3 513	2 423

Risk-weighted assets

At 31 March 2019 R'million	Investec Limited*	IBL*
Risk-weighted assets	**361 750**	**340 315**
Credit risk	291 886	289 168
Equity risk	23 433	16 159
Counterparty credit risk	6 166	6 349
Credit valuation adjustment risk	3 090	3 392
Market risk	5 558	3 308
Operational risk	31 617	21 939
At 1 April 2018		
Risk-weighted assets	**337 892**	**320 475**
Credit risk	263 579	259 362
Equity risk	25 140	22 663
Counterparty credit risk	5 867	5 887
Credit valuation adjustment risk	6 251	6 269
Market risk	5 477	4 515
Operational risk	31 578	21 779
At 31 March 2018		
Risk-weighted assets	**338 484**	**320 607**
Credit risk	264 171	259 494
Equity risk	25 140	22 663
Counterparty credit risk	5 867	5 887
Credit valuation adjustment risk	6 251	6 269
Market risk	5 477	4 515
Operational risk	31 578	21 779

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

Investec Limited

Movement in RWAs

Total RWA grew by 6.9% over the period, with the reasons identified in the categories below.

Credit risk RWAs

Credit risk weighted assets grew by R27.7 billion which is associated with growth in lending activities as well as an increase in term and short-dated corporate lending.

Counterparty credit risk and CVA RWAs

Counterparty credit risk and CVA RWAs decreased by R2.9 billion. Over-the-counter (OTC) Derivative exposures are predominantly transacted with high credit quality financial counterparties largely on a collateralised basis. Secured financing transactions (SFT) remained flat over the period.

Equity risk RWAs

Equity risk decreased by R1,7 billion. 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 proportionately much larger movement in RWA than the associated balance sheet equity value.

Market risk RWAs

Market risk RWAs are calculated using the Value at Risk (VaR) approach. Trading desks took on minimal levels of directional risk while primarily focussing 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.

Leverage ratios

At 31 March 2019 **R'million**	**Investec Limited*^**	**IBL*^**
Exposure measure	**534 230**	**505 070**
Tier 1 capital	40 582	39 071
Leverage ratio – current**	**7.6%#**	**7.7%#**
Tier 1 capital – fully loaded	38 889	38 364
Leverage ratio – fully loaded^^**	**7.3%#**	**7.6%#**
At 1 April 2018		
Exposure measure	**495 349**	**466 522**
Tier 1 capital	36 635	35 249
Leverage ratio – current	**7.4%#**	**7.6%#**
Tier 1 capital – fully loaded	34 179	33 935
Leverage ratio – fully loaded^^	**6.9%#**	**7.3%#**
At 31 March 2018		
Exposure measure	**495 670**	**466 846**
Tier 1 capital	37 164	35 792
Leverage ratio – current**	**7.5%#**	**7.7%#**
Tier 1 capital – fully loaded	35 350	35 179
Leverage ratio – fully loaded^^**	**7.1%#**	**7.5%#**

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

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

Based on revised BIS rules.

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from the capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps (31 March 2018: 25bps) and 14bps (31 March 2018: 13bps) lower respectively.*

^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

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

At 31 March 2019 **R'million**	**Investec Limited***	**IBL***
Opening common equity tier 1 capital	**34 379**	**34 829**
New capital issues	756	–
Dividends	(2 817)	(1 022)
Profit after taxation	6 175	4 963
IFRS 9 adjustment	(894)	(894)
Treasury shares	(1 119)	–
Gain on transfer of non-controlling interests	320	–
Share-based payment adjustments	776	–
Movement in other comprehensive income	732	299
Goodwill and intangible assets (deduction net of related taxation liability)	(5)	(5)
Investment in financial entity	10	(41)
IFRS 9 Transitional adjustment	225	225
Other, including regulatory adjustments and transitional arrangements	(388)	(203)
Closing common equity tier 1 capital	**38 150**	**38 151**
Opening additional tier 1 capital	**2 785**	**963**
New additional tier 1 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.*

Total regulatory capital flow statement (continued)

At 31 March 2018 R'million	Investec Limited*	IBL*
Opening common equity tier 1 capital	**32 497**	**33 848**
New capital issues	925	–
Dividends	(2 569)	(1 437)
Profit after taxation	6 302	4 673
Treasury shares	(985)	–
Gain on transfer of non-controlling interests	103	–
Share-based payment adjustments	656	–
Movement in other comprehensive income	(590)	(336)
Goodwill and intangible assets (deduction net of related taxation liability)	96	96
Investment in financial entity	(2 149)	(2 113)
Other, including regulatory adjustments and transitional arrangements	93	98
Closing common equity tier 1 capital	**34 379**	**34 829**
Opening additional tier 1 capital	**2 900**	**767**
New additional tier 1 issues	350	350
Other, including regulatory adjustments and transitional arrangements	(475)	(154)
Movement in minority interest in non-banking entities	10	–
Closing additional tier 1 capital	**2 785**	**963**
Closing tier 1 capital	**37 164**	**35 792**
Opening tier 2 capital	**11 153**	**13 501**
New tier 2 capital issues	3 287	2 273
Redeemed capital	(2 205)	(2 205)
Collective impairment allowances	314	314
Other, including regulatory adjustments and transitional arrangements	(201)	126
Closing tier 2 capital	**12 348**	**14 009**
Closing total regulatory capital	**49 512**	**49 801**

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

A summary of capital adequacy and leverage ratios

	Investec Limited*^	IBL*^
As at 31 March 2019		
Common equity tier 1 (as reported)	10.5%	11.2%
Common equity tier 1 fully loaded^^	10.5%	11.1%
Tier 1 (as reported)	11.2%	11.5%
Total capital adequacy ratio (as reported)	14.9%	15.8%
Leverage ratio** – current	7.6%#	7.7%#
Leverage ratio** – fully loaded^^	7.3%#	7.6%#
As at 1 April 2018		
Common equity tier 1 (as reported)	10.0%	10.7%
Common equity tier 1 fully loaded^^	9.8%	10.6%
Tier 1 (as reported)	10.8%	11.0%
Total capital adequacy ratio (as reported)	14.5%	15.4%
Leverage ratio – current	7.4%#	7.6%#
Leverage ratio – fully loaded^^	6.9%#	7.3%#
As at 31 March 2018		
Common equity tier 1 (as reported)	10.2%	10.9%
Common equity tier 1 fully loaded^^	10.2%	10.9%
Tier 1 (as reported)	11.0%	11.2%
Total capital adequacy ratio (as reported)	14.6%	15.5%
Leverage ratio** – current	7.5%#	7.7%#
Leverage ratio** – fully loaded^^	7.1%#	7.5%#

* *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.*

Based on revised BIS rules.

^ *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. At 31 March 2018, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps and 13bps lower.*

^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

CREDIT RATINGS

3

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 14 June 2019 are 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)
Short-term ratings		
Foreign currency	B	B
National		F1+(zaf)
Viability rating	bb+	bb+
Support rating	5	3
Moody's		
Long-term ratings		
Foreign currency		Baa3
National		Aa1.za
Short-term ratings		
Foreign currency		P-3
National		P-1(za)
Baseline Credit Assessment (BCA) and adjusted BCA		baa3
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)

INTERNAL AUDIT

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 IBL, Investec Limited, Investec Asset Management 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 unit executives. 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. The most recent independent QAR benchmarked the functions against the publication by the Chartered Institute for Internal Auditors entitled Effective Internal Audit in the Financial Services Sector, final report issued in January 2015. The next QAR review will take place during the 2019/20 financial year.

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 at least every twelve months, with other areas covered at regular 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, to the local assurance forums, 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 IBL, Investec Limited, Investec Asset Management 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. 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 committee 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 IBL, Investec Limited, Investec Asset Management 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 challenge in the financial sector with global political events adding uncertainty as to the shape of the financial services regulation going forward.

Global regulations remain focused on countering market abuse with heightened scrutiny and regulatory attention in this area, including sustained focus on the EU's strengthened Market Abuse Regime.

This year, global regulators have continued to focus on promoting stability and resilience in financial markets, with sustained emphasis on recovery and resolution plans and structural reforms to the banking sector as well as customer and market conduct related forums.

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.

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Year in review

Changes to the regulatory landscape in South Africa

The South African financial sector regulatory developments are ongoing with some of the new regulatory structures becoming effective from April 2018. The Financial Sector Conduct Authority (FSCA) has proceeded with its mandate as the conduct regulator for all financial institutions. The regulatory reform will continue for at least the next five years.

Conduct risk and consumer protection

The draft Conduct of Financial Institutions Bill (COFI) was published 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.

Other significant, relevant regulatory developments impacting Investec include the Insurance Act, Amendments to the Policyholder Protection Rules and the Long Term Insurance Act, the Code of Conduct for Over-The-Counter-Derivatives Providers, Authorisation Criteria for Over-The-Counter-Derivatives Providers, the reports for the Retail Banking Diagnostic and the Wholesale Financial Markets Review, and staggered consultation and implementation of the Retail Distribution Review proposals.

The Information Regulator tabled the draft Regulations relating to the Protection of Personal Information Act (PoPIA) on the 3 December 2018 and the final Regulations were published in the Government Gazette on the 14 December 2018. It is anticipated that the effective date for the Regulations will be aligned to the effective date for the remaining sections of PoPIA.

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 operating in the European Union, regardless of where organisations are based.

In order to ensure that Investec Ltd complies with all applicable data protection legislation, the requirements of PoPIA and GDPR have been aligned.

Financial crime

Financial crime continues to be a regulatory focus for Investec both locally and globally especially in the areas of Anti-Money Laundering ("AML"), Combatting the Financing of Terrorism ("CFT"), Sanctions and Anti-Bribery and Corruption practices.

Efforts are focused on increasing system capability, developing and implementing effective controls and ensuring adequate resourcing to improve efficiency and manage and mitigate money laundering, terrorist financing and bribery and corruption risk.

In 2017 the Financial Intelligence Centre (FIC) under the auspices of the South African National Treasury promulgated the revised Financial Intelligence Centre Act 1 of 2017, with the effective date of 2 October 2017. A transitional period from the 2 October 2017 to the 2 April 2019 was provided by the FIC, in order to enable accountable and reporting institutions to implement the necessary requirements. This amendment introduces a number of new requirements, the most significant being the departure from the Rules – Based Approach to a Risk Based Approach ("RBA"). The RBA requires that AML, CFT and sanctions controls adopted are proportionate to the financial crime risks identified. This will ensure that enhanced measures are applied where the financial crime risks are higher and simplified measures are applied where the risks are lower. In this way, an organisation is able to target its resources more effectively, whilst ensuring that these risks are efficiently mitigated and managed.

Tax reporting (FATCA/CRS)

South Africa and Mauritius have intergovernmental agreements in place with the USA and each have enacted local law/ regulation to implement FATCA locally. 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 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 fifth annual FATCA reports.

The CRS became effective in South Africa on 1 March 2016. South Africa opted for the 'wider-wider approach' which means 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 3rd annual CRS report. Mauritius conducted its first exchange of information in 2018 and is in the process of preparing its second annual CRS report.

We are not all things to all people: we serve select niches where we can compete effectively

Chairman's introduction

Dear Shareholder

I am pleased to present the annual corporate governance report for the year ended 31 March 2019. 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 of Investec Limited will be referred to as the board.

The operating environment remained challenging over the period. Against this backdrop, the group's adjusted operating profit is ahead of the prior year. The combined Bank and Wealth business and the Asset Management business have reported results ahead of the prior year.

The group has built a diversified portfolio of businesses over many years creating a solid platform, and is well positioned in its core markets. During the current year the group has seen a smooth transition in management succession from a founder led business to the next generation of leadership.

As part of management succession, the board, with the support of the executive team, conducted a comprehensive strategic review of the group to ensure that it remains well positioned to serve the long-term interests of all stakeholders. Through the strategic review, the board concluded that while there are compelling current and potential linkages between the Banking business and the Wealth business, which operate in common geographic and client segments, there are limited synergies between the Asset Management business and the rest of the group. After considering a full range of options, the board concluded that a demerger and separate listing of Investec Asset Management would create simplicity and allow the businesses to have a sharper focus on their respective growth trajectories which should result in improved resource allocation, better operational performance and higher long-term growth.

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, in addition to the key focus areas for the year ahead.

The past year in focus

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 board remains committed to long term stakeholder value creation. The group's priorities which arose from the boards comprehensive strategic review are to simplify, focus and grow with discipline. We are confident that focus on these strategic objectives will lead to sustainable enhanced stakeholder returns.

Board composition

The board, working closely with the DLC Nominations and Directors' Affairs Committee (DLC Nomdac), continues to drive and monitor succession planning. Succession of the group's long-serving executive management has been a key focus area for the board with the group's initial announcement in this regard made in November 2015. Since the previous annual report, the following changes have been affected in respect of the board:

- Stephen Koseff and Bernard Kantor stepped down from their roles of chief executive officer (CEO) and managing director (MD) of the group, respectively, on 1 October 2018. Following the demerger of Investec Asset Management from the Investec group, Stephen and Bernard will not seek re-election at the 2019 annual general meeting.
- Fani Titi and Hendrik du Toit were appointed as designated joint group chief executive officers (CEOs) from 15 May 2018 until 30 September 2018.
- Fani and Hendrik assumed their roles as joint CEO's of the Investec group on 1 October 2018. Following the demerger of Investec Asset Management from the group, Hendrik will step down from the board to focus his efforts on the soon-to-be demerged Asset Management business.
- Glynn Burger stepped down from the board on 31 March 2019. The board would like to thank Glynn for his exemplary service, dedication and commitment to the group over the last 38 years and wish him well with his future endeavours.
- Nishlan Samujh, formerly the chief finance officer of the group, was appointed as group finance director (FD) and an executive director of the board with effect from 1 April 2019.

- Kim McFarland, FD of Investec Asset Management was appointed as an executive director on 1 October 2018. Subsequent to the demerger of Investec Asset Management from the group, Kim will step down from the board to focus her efforts on the soon-to-be demerged Asset Management business.
- Cheryl Carolus, a non-executive director of the group since 18 March 2005, will not stand for re-election at the annual general meeting in August 2019. The board is grateful to Cheryl for her commitment and contribution to the board over the past fourteen years and wish her well with her future endeavours.
- Laurel Bowden, a non-executive director of the group since 1 January 2015 will also not stand for re-election at the annual general meeting in August 2019. The board would like to thank Laurel for her dedication and contributions to the group over the years.

Diversity

Investec 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. 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.

Investec is a member of the 30% Club in South Africa, committing the group to a goal of 33% representation of women on the board by 2020. During the year the board approved a board diversity policy, setting out the targets for board composition in terms of gender and race. As at 31 March 2019, we are pleased to report that there was a 25% representation of women on the board.

The board was mindful of all aspects of diversity when considering the recruitment of two additional independent non-executive directors to the board. Following a comprehensive search, the DLC Nomdac recommended the appointment of two additional female independent non-executive directors. The appointments are made subject to finalisation.

In addition, during the year, 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.

During the year under review, in line with discussions with regulators, work was done to further develop the governance processes of the group, with the enhancement of the independent governance structures for Investec Bank Limited (IBL), including the establishment of a standalone Audit Committee and Board Risk and Capital Committee for IBL.

For the financial year ended 31 March 2019, the group applied and was compliant with the King IV Code.

Board effectiveness

The board regularly reviews its own effectiveness and therefore undertakes an evaluation of its performance and that of its committees and individual directors annually. In accordance with the three-year cycle, the 2018 board effectiveness review was conducted by an external independent facilitator, Professor Robert Goffee, from the London School of Business.

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 board governance and functioning, in comparison with the previous externally facilitated effectiveness review, which had been conducted by Professor Robert Goffee in 2015. Further details regarding the 2018 board effectiveness review may be found in the DLC Nomdac report on pages 115 to 118.

Stakeholder engagement

The board oversees and monitors, on an ongoing basis, how the consequences of our organisation's activities and outputs effect its status as a responsible corporate citizen. This oversight and monitoring are performed against measures and targets agreed with management regarding the workplace, economy, society and environment. Our groupwide 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. The primary focus of these consultations was the outcome of the group's business review and management succession planning. These consultations also provided an opportunity to discuss governance and business strategy more broadly with shareholders, with the dialogue centred on the composition of the board and the proposed demerger and listing of Investec Asset Management.

The group hosted Capital Markets Days (CMDs) for the Asset Management business and the Bank and Wealth business in November 2018 and February 2019 respectively. Both CMDs were successful in reaffirming the businesses' positioning and communicating the respective strategies. The Bank and Wealth CMD also provided an opportunity to highlight some of the key initiatives underway to enhance returns and to set out the new short- to medium-term targets for the Bank and Wealth business. Asset Management will host a second CMD in the coming months to provide further insight into its strategic focus and growth potential as a standalone business.

The year ahead

In the coming year, a key focus for the board will be the proposed demerger of Investec Asset Management, which is expected to occur during the second half of 2019. Following the demerger, the board, with the assistance of the DLC Nomdac, will 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 and experience required to conduct the affairs of the group. This will be in addition to the consideration of the governance structure of the refreshed group, and the governance structures of the group's core Bank and Wealth subsidiaries.

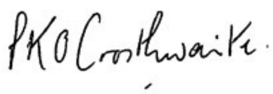
As per the CMDs in February 2019 there will be an increased focus on performance and improvement on the return on equity (ROE) of the group's Bank and Wealth business.

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.

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 2019 integrated 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

14 June 2019

Within this report you will find:

Who we are

Director biographies

Biographies of our current and former directors during the year are outlined below, including their relevant skills and experience, other principal appointments and any appointments to DLC committees for the year under review.

Zarina BM Bassa

Senior independent non-executive director (SID)

Age: 55

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 Banking. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a member of the Accounting Standards Board and the JSE GAAP Monitoring Panel. Zarina has previously served as a non-executive director at several companies including Kumba Iron Ore Limited, Sun International Limited, Vodacom South Africa 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

Other principal appointments

Oceana Group Limited, YeboYethu Limited, Woolworths Holdings Limited, the JSE Limited, IBL, IBP, Investec Life and Investec Bank Mauritius

Committees

DLC Audit Committee (chair), DLC BRCC, DLC Nomdac and DLC Remco

Date of appointment

1 November 2014

Laurel C Bowden

Independent non-executive director*

Age: 54

Qualifications: *MBA (INSEAD), BSc Electronic Engineering, HND Eng*

Relevant skills and experience

Laurel is a founding partner at 83 North, (a private equity business), where her areas of focus include e-commerce, enterprise software and fintech. Laurel has over 15 years of investment experience and has led investments in many leading European technology companies, including Just Eat, iZettle (acquired by PayPal), Qliktech and Hybris (acquired by SAP). She was previously a director at GE Capital in London

Other principal appointments

83 North UK LLP, Bluevine Capital Inc, Wolt Oy, Ebury Partners Ltd, Celonis SE, Mirakl SAS, Treasury Intelligence Solutions GmbH, MotorK Ltd and Workable Technology Ltd (in relation to the majority of these companies, Laurel serves on the board as a representative of 83 North)

Committees

DLC Audit Committee

Date of appointment

1 January 2015

* *LC Bowden will not stand for re-election at the 2019 annual general meeting.*

Glynn R Burger*

Former group risk and finance director

Age: 62
Qualifications: *BAcc, CA(SA), H Dip BDP, MBL*

Relevant skills and experience
Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa

Other principal appointments
IBL**, IEP Group Proprietary Limited, BUD Group Proprietary Limited and Corobrik Proprietary Limited

Committees

DLC BRCC***

Date of appointment
3 July 2002

* *Retired from the board on 31 March 2019*
** *Retired from the IBL board on 12 December 2018*
*** *Retired from the DLC BRCC on 31 March 2019*

Cheryl A Carolus*

Independent non-executive director

Age: 61
Qualifications: *BA (Law), Honorary doctorate in Law*

Relevant skills and experience
Cheryl was the South African High Commissioner in London between 1998 and 2001 and was chief executive officer of South African Tourism

Other principal appointments
De Beers Consolidated Mines Limited, Gold Fields Limited (chair), The IQ Business Proprietary Limited, Ponahalo Capital Proprietary Limited, executive chairperson of Peotona Group Holdings Proprietary Limited (chair) and director of several of the Peotona group companies and International Crisis Group. Constitution Hill Education Trust (chair), Soul City Institute and British Museum Trustee

Committees
DLC SEC

Date of appointment
18 March 2005

* *CA Carolus will not stand for re-election at the 2019 annual general meeting.*

Perry KO Crosthwaite*

Investec plc and Investec Limited chairman

Age: 70
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 served as a non-executive director of Melrose Industries plc from July 2005 to May 2016, and was a founding member of Henderson Crosthwaite Institutional Brokers Limited, serving as its director from 1986 to 1998

Other principal appointments
Jupiter Green Investment Trust (chairman) and Nordoff-Robbins Music Therapy

Committees
DLC Nomdac (chairman) and DLC BRCC

Date of appointment
18 June 2010

* *Appointed as chairman of the board on 15 May 2018*

Hendrik J du Toit

Joint group chief executive officer

Age: 57
Qualifications: *BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)*

Relevant skills and experience
After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 to establish Investec Asset Management. Hendrik has served on the Leadership Council of the Sustainable Development Solutions Network, a United Nations based initiative since 2014. In 2016 he became a Commissioner of the Business and Sustainable Development Commission. In May 2018, Hendrik also became a member of HM Treasury's Belt and Road Initiative Expert Board. Hendrik became group joint chief executive officer of Investec group on 1 October 2018

Other principal appointments
Naspers Limited, Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited as well as their subsidiaries.

Committees
DLC SEC*

Date of appointment
15 December 2010

* *Appointed to DLC SEC on 12 March 2019*

David Friedland

Independent non-executive director

Age: 65
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

Other principal appointments
IBL, IBP, Investec Fund Managers (RF) Limited, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

Committees
DLC BRCC (chairman) and DLC Nomdac

Date of appointment
1 March 2013

Philip A Hourquebie

Independent non-executive director

Age: 65
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 the 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)

Other principal appointments
IBL*, Aveng Limited and Investec Property Fund Limited

Committees
DLC Audit Committee, DLC BRCC, DLC Nomdac** and DLC Remco (chairman)

Date of appointment
14 August 2017

* *Appointed to the IBL board on 12 December 2018*
** *Appointed to the DLC Nomdac on 15 May 2018*

Charles R Jacobs

Independent non-executive director

Age: 52
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 100 company. 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

Other principal appointments
Fresnillo plc (senior independent non-executive director and chairman of the Remuneration Committee)

Committees
DLC Remco

Date of appointment
8 August 2014

*Bernard Kantor**

Former group managing director **and executive director

Age: 69
Qualifications: *CTA*

Relevant skills and experience
Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the trading division, marketing manager and chief operating officer

Other principal appointments
IBL***, IBP****, Phumelela Gaming and Leisure Limited (chairman) and IEP Group Proprietary Limited

Committees
DLC BRCC and DLC SEC

Date of appointment
8 June 1987

* *B Kantor will not stand for re-election at the 2019 annual general meeting*
** *Resigned as group MD of Investec plc and Investec Limited on 30 September 2018*
*** *Resigned from the board of IBL on 30 January 2019*
**** *Resigned from the board of IBP on 30 January 2019*

Ian R Kantor

Non-executive director

Age: 72
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. Ian is currently a non-executive director on the boards of Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited.

Other principal appointments
Chairman of Blue Marlin Holdings South Africa (formerly Insinger de Beaufort Holdings South Africa, in which Investec Limited indirectly holds an 8.3% interest)

Date of appointment
30 July 1980

*Stephen Koseff**

Former group chief executive officer** and executive director

Age: 67
Qualifications: *BCom, CA(SA), H Dip BDP, MBA*

Relevant skills and experience
Stephen joined Investec in 1980. He has diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking. Stephen is the co-chair of the Youth Employment Services (YES) initiative in South Africa

Other principal appointments
IBL***, IBP****, Bid Corporation Limited (chairman) and IEP Group Proprietary Limited

Committees
DLC BRCC and DLC SEC

Date of appointment
6 October 1986

* *S Koseff will not stand for re-election at the 2019 annual general meeting*
** *Resigned as CEO of Investec plc and Investec Limited on 30 September 2018*
*** *Resigned from the IBL board on 30 January 2019*
**** *Resigned from the IBP board on 30 January 2019*

Lord Malloch-Brown KCMG

Independent non-executive director

Age: 65
Qualifications: *BA (Hons) (History), MA (Political Science)*

Relevant skills and experience
Lord Malloch-Brown is chairman of SGO Corporation Limited and 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 and head of United Nations Development Programme and a journalist at the Economist with wide ranging experience of boards. He is also the chairman of the Business and Sustainable Development Commission (BSDC)

Other principal appointments
Seplat Petroleum Development Company plc, Kerogen Capital, Kerogen Capital (UK) Limited, SGO Corporation Limited and Grupo T-Solar Global SA

Committees
DLC Nomdac and DLC SEC (chairman)*

Date of appointment
8 August 2014

* *Appointed as chairman of the DLC SEC effective from 1 April 2018*

Kim McFarland

Executive director

Age: 54
Qualifications: *Bachelor of Accountancy and Bachelor of Commerce, CA(SA), MBA, Introduction to Securities and Investment (Securities Institute), UK Regulations and Markets (IMC)*

Relevant skills and experience
Kim graduated from the University of the Witwatersrand (Johannesburg) with degrees in Commerce and Accounting and subsequently qualified as a Chartered Accountant with PricewaterhouseCoopers in 1987. She also holds an MBA degree from the University of Cape Town. Kim served as Financial and Operations Manager at two South African life insurance companies. She joined Investec Asset Management in 1993 as its Chief Financial Officer to manage the operational and financial growth of the business. Kim is currently the finance director of Investec Asset Management and was appointed as an executive director of Investec plc and Investec Ltd in October 2018. Kim has been a non-executive director of the Investment Association (UK) since September 2015

Date of appointment
1 October 2018

Nishlan Samujh

Group finance director

Age: **45**

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 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

Other principal appointments

IBL*

Committees

DLC BRCC

Date of appointment

1 April 2019

* *Resigned from the board on 14 May 2019*

Khumo L Shuenyane

Independent non-executive director

Age: **48**

Qualifications: *BEcon, CA (England and Wales)*

Relevant skills and experience

Khumo serves on the boards of several companies in the Investec group. He is also a partner at Delta Partners, a global advisory firm headquartered in Dubai focused on the telecoms, media and technology sectors. Between 2007 and 2013 Khumo served as group chief mergers and acquisitions officer for MTN Group Limited and was a member of its group executive committee. Khumo was previously head of Principal Investments at Investec and was a member of Investec's Corporate Finance division for a total of nine years. Prior to joining Investec in 1998, Khumo worked for Arthur Andersen in Birmingham (UK) and Johannesburg for six years from 1992. He qualified as a member of the Institute of Chartered Accountants in England and Wales in 1995

Other principal appointments

IBL (chairman)*, Investec Life Limited, Investec Specialist Investments (RF) Limited, Investec Asset Management Holdings Proprietary Limited, Investec Asset Management, Investec Life and Investec Property Fund.

Committees

DLC Audit Committee**, DLC BRCC and DLC Nomdac

Date of appointment

8 August 2014

* *Appointed as chairman of IBL effective from 15 May 2018*

** *Resigned from the DLC Audit Committee on 12 January 2019*

Fani Titi

Joint group chief executive officer

Age: 56

Qualifications: *BSc (cum laude), BSc Hons (cum laude) in Mathematics, MA in Mathematics, MBA*

Relevant skills and experience

Fani Titi 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. He has been a member of the IBP board from August 2011. He has served on the board of Investec Asset Management from November 2013. 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 became joint group chief executive officer of Investec group on 1 October 2018

Other principal appointments

Investec plc, Investec Limited, IBP, IBL, IEP Group Proprietary Limited, Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited

Committees

DLC BRCC, DLC Nomdac (chairman)* and DLC SEC**

Date of appointment

30 January 2004

* *Resigned as chairman of the DLC Nomdac on 15 May 2018*
** *Appointed to DLC SEC on 12 March 2019*

Governance framework

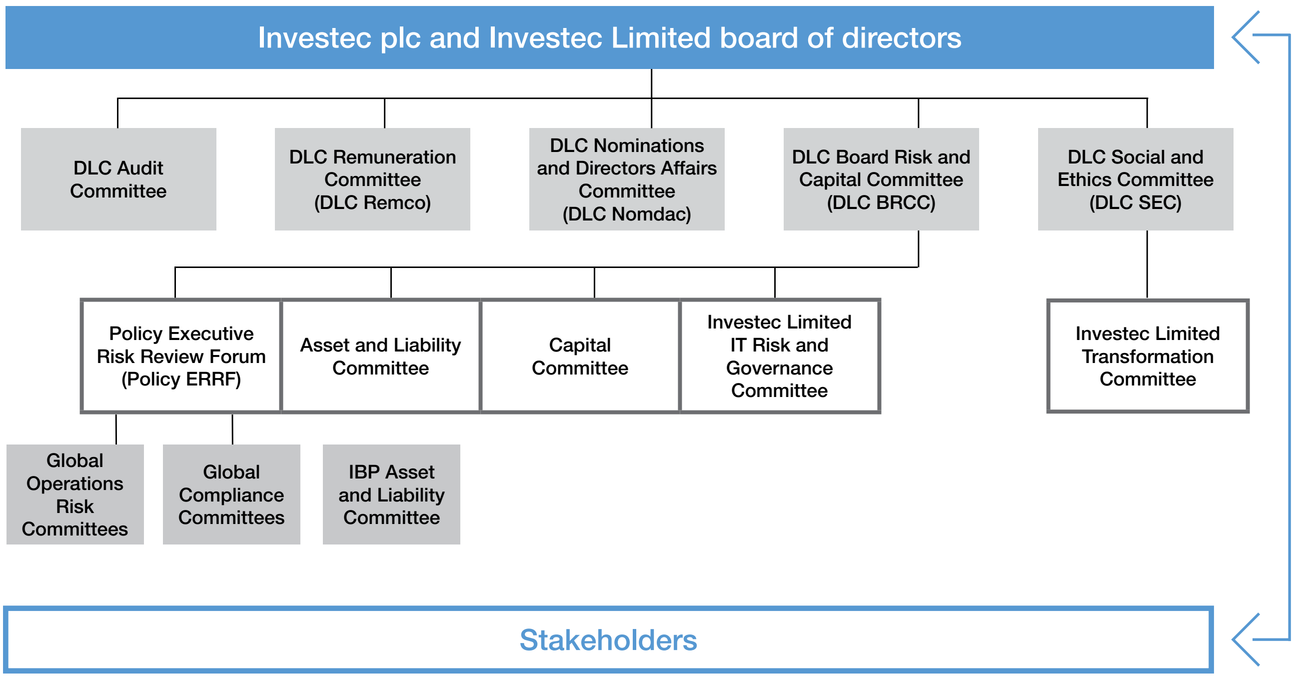
Investec operates under a dual listed companies (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group, which also complies with requirements in both jurisdictions.

From a legal perspective, the DLC is comprised of:

- 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 on Corporate Governance, as well as the activities of the group.

Our 2019 governance activities are aligned with the South African Companies Act, No 71 of 2008, as amended, (South African Companies Act) JSE Listings Requirements, King IV Code, South African Banks Act 94 of 1990 (South African Banks Act), the UK Companies Act 2006 (UK Companies Act) as well as the UK Corporate Governance Code.



Board and executive roles

The key governance roles and responsibilities of the board are outlined below:

Chairman	*Chief executive officers*	*Finance director*
• Set the board agenda and ensure that there is sufficient time available for the discussion of all items • Encourage open and honest dialogue between all board members • Lead and manage the dynamics of the board, providing direction and focus • Ensure that the board sets the strategy of the group and assist in monitoring the progress towards achieving the strategy • Perform director performance evaluations • Serve as the primary interface with regulators and other stakeholders on behalf of the board • Oversee the integrity and effectiveness of the governance processes of the board • Maintain regular dialogue with the chief executive officer in respect of all operational matters and consult with the remainder of the board promptly on matters that raise major concern • Act as facilitator at board meetings to ensure that no director, whether executive or non-executive, dominates the discussion, ensure that the discussion is appropriate and the discussions result in logical and understandable outcomes.	• Lead and manage the group within the authorities delegated by the board • Ensures the group's unique culture is embedded and perpetuated • Develop and support the growth of all the groups' businesses • Ensure the group achieves the strategic and financial objectives approved by the board • Monitor and manage the day-to-day operational requirements and administration of the group • Develop and recommend 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 • Implement plans, policies and programmes approved by the board.	• Lead and manage the group finance functions • Provide the board with updates on the group's financial performance • Submit reports, financial statements and consolidated budgets for consideration by the board • Oversee the financial management of the group including financial planning, cash flow and management reporting.

Senior Independent Director (SID)	*Non-Executive Directors*	*Company Secretary*
• Provide a sounding board to the chairman • Remain available to address any concerns or questions from shareholders and non-executive directors • Lead the board in the assessment of the effectiveness of the chairman, and the relationship between the chairman and the chief executive officer • Act as a trusted intermediary for non-executive directors, if required, to assist them in challenging and contributing effectively to the board.	• Provide unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenge and contribute to assist in developing the group's strategy • Monitor the performance of management against their agreed strategic goals • Ensure the effectiveness of internal controls and the integrity of financial reporting • Review succession planning • Oversee risk management frameworks • Contribute to board effectiveness through diverse experience and backgrounds.	• Maintain the flow of information to the board and its committees and ensure compliance with board procedures • Minute all board and committee meetings to record the deliberations and decisions taken therein • Provide expertise to effect board compliance with relevant legislation and regulations • Ensure good corporate governance is implemented and advises the chairman and board in that regard • Guide the directors collectively and individually on their duties, responsibilities and powers • Report any failure on the part of the group or any individual director to comply with the articles or the relevant legislation • Ensure board procedures are followed and reviewed regularly • Ensure applicable rules and regulations for conducting the affairs of the board are complied with • Facilitate a programme for the induction and ongoing development of directors • Maintain statutory records in accordance with legal requirements • Guide the board on how its responsibilities should be properly discharged in the best interests of the organisation • Keep abreast of, and inform, the board of current and new developments regarding corporate governance thinking and best practice • Fulfil all other functions assigned to the position and South African Companies Act and by any other legislation.

Board composition

Membership

At the date of this annual report, the board comprised of six executive directors and ten non-executive directors, including the chairman. The changes to the composition of the board and the boards of the principal subsidiaries of the Investec group, which have occurred during the financial year ended 31 March 2019, are detailed below.

Investec Ltd and Investec plc

The following changes were made to the board during the year:

- Stephen Koseff and Bernard Kantor stepped down from the roles of CEO and MD of the group respectively, on 1 October 2018. Stephen and Bernard will not stand for re-election at the 2019 annual general meeting. They will continue to actively oversee the proposed demerger and separate listing of Investec Asset Management until its completion.
- Fani Titi who was a non-executive director of the group board since January 2004 and chairman of the group since November 2011, and Hendrik du Toit, the founding CEO of Investec Asset Management and an executive director of the group since December 2010, were appointed as joint group CEOs designate from 1 April 2018 to 30 September 2018. Fani and Hendrik assumed the role of joint group CEO's of the Investec group on 1 October 2018. Following the demerger of Investec Asset Management from the Investec group Fani Titi will remain as CEO of the group, whilst Hendrik du Toit will step down as joint group CEO and executive director of the group, and assume the role of CEO of Investec Asset Management.
- As reported in the 2018 annual report Fani Titi stepped down as group chairman on 15 May 2018 and Perry Crosthwaite, who had been the group's SID, assumed the position of chairman of the group on 16 May 2018.
- Glynn Burger stepped down from the board and his role as risk and finance director of the group on 31 March 2019.
- Nishlan Samujh, formerly the CFO of the group, was appointed as group FD and an executive director of the board with effect from 1 April 2019.
- Kim McFarland, FD of Investec Asset Management was appointed as an executive director on 1 October 2018. Subsequent to the demerger of Investec Asset Management from the group, Kim will step down from the board of the group, maintaining the role of FD of Investec Asset Management.
- Perry Crosthwaite stepped down as chairman of the DLC Remco on 1 April 2018 with Philip Hourquebie, who was appointed as non-executive director of the group in August 2017, assuming the position on that date.
- Zarina Bassa, who was appointed as a non-executive director of the board in November 2014, was appointed as the group's SID on 1 April 2018.
- Cheryl Carolus will not stand for re-election at the annual general meeting in August 2019.
- Lauren Bowden will also not stand for re-election at the annual general meeting in August 2019.

Independence

The board considers the guidance set out in the King IV Code when considering the independence of the non-executive directors. The policy in respect of board independence was expanded in line with directive 4/2018, issued by the South African Prudential Authority, with regard to corporate governance, which requires the chairs of all board committees to be independent. This would mean that a past CEO or former executive director would only be deemed independent after a sufficient cooling off period and cannot chair board committees upon first re-joining the board.

As at 31 March 2019, the board was compliant with the King IV Code, in that the majority of the board, excluding the chairman, comprise of 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 by the board, 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 DLC Nomdac believes that the board 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. Prior to becoming chairman, Perry was the senior independent director of the board.

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 specific directors:

- Ian Kantor is the founder and former CEO, and brother of executive director Bernard Kantor. The board concluded that Ian could not be considered independent under the King IV Code.
- 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. The legal fees paid to Linklaters have not been material either to Linklaters or to Investec.

- Philip Hourquebie was a Regional Managing Partner of two regions of Ernst & Young Inc. (Africa and Central South East Europe including Turkey) up to 2014. The board concluded that notwithstanding his previous association with Ernst & Young Inc., Philip retains independence of judgement as he was never Investec Limited or IBL's designated auditor.

Tenure

The DLC Nomdac considers tenure when examining independence, and when considering the composition of the board. 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 valuable skills, knowledge and an understanding of Investec's unique culture.

As identified, the DLC Nomdac considers the guidance set out in the King IV Code when considering the independence of the non-executive directors, and follows a thorough process of assessing independence on an annual basis for each director. In accordance with directive 4/2018, as issued by the South African Prudential Authority, any director serving for more than nine years will not be deemed to be independent.

Cheryl Carolus will not stand for re-election at the annual general meeting in August 2019. Cheryl has been a non-executive director of the group since 2005.

The board does not believe that the tenure of any of the non-executive directors standing for election or re-election at the annual general meeting in August 2019 interferes with their independence of judgement and 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, skills, experience and knowledge.

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 mind-sets able to challenge the status quo.

The board is committed to ensuring that the group meets its governance, social and regulatory obligations regarding diversity. In accordance with our board diversity policy, the board intends to ensure a minimum female representation of 33% on the board by 2020. 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 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.

The board has skills and experience in the areas of banking, risk and capital management, general commercial, financial, auditing, accounting and legal.

Induction

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 quickly provide the new director with an understanding of how the Investec group works and the key issues that it faces. The company secretary consults 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 should have sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing Investec, to enable them to effectively contribute to strategic discussions and oversight of the Investec 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 Investec's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member.

Investec has an insurance policy that insures directors against liabilities they may incur in carrying out their duties.

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.

Independent advice

Through the chairman, the senior independent director (SID) or the company secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2019 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 interests 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 has gained experience over many years. Her service is 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 is a board matter.

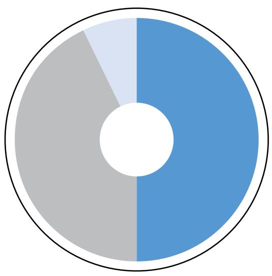
In compliance with the King IV Code, the South African Companies Act and the JSE Listings Requirements, the board has considered and is satisfied that the company secretary is competent, has the relevant qualifications and experience and maintains an arms-length relationship with the board.

Diversity as at 31 March 2019

Age:

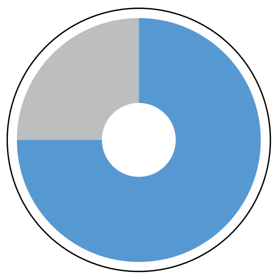
40 – 50	**6%**
51 – 60	**38%**
61 and above	**56%**

Geographical mix:



50% South Africa
43% UK
7% Other

Board gender balance:



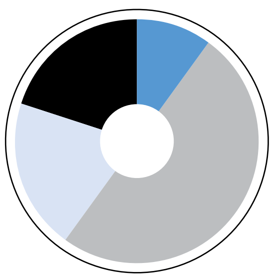
75% Male
25% Female

Tenure as at 31 March 2019

Average length of service (years): **6**

for non-executive directors

Average non-executive tenure:



10% 0 – 3 years
50% 3 – 6 years
20% 6 – 9 years
20% 9 years plus executives

What we did

Board report

Role and responsibilities

The board seeks to exercise leadership, integrity and judgement in pursuit of Investec's strategic goals and objectives to achieve long-term sustainability, growth and prosperity. 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 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 the 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 joint chief executive officers, 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 joint chief executive officers
- 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 2018 to 31 March 2019, four board meetings were held in the UK and four in South Africa, in line with the requirements of Investec's DLC structure. A separate Investec Limited board meeting was held in South Africa and a separate Investec plc board meeting was held in the UK. A special meeting was held in September 2018 in respect of the demerger of Investec Asset Management. Unscheduled meetings are called as the need arises. 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.

Composition and meetings *(continued)*

		Board member since	Investec Limited (9 meetings in the year)	
Members	**Independent**	**Investec Limited**	**Eligible to attend**	**Attended**
PKO Crosthwaite (chairman)*	On appointment	18 Jun 2010	9	9
F Titi (joint group CEO)**	Executive	30 Jan 2004	9	9
HJ du Toit (joint group CEO)***	Executive	15 Dec 2010	9	9
ZBM Bassa	Yes	1 Nov 2014	9	9
LC Bowden	Yes	1 Jan 2015	9	9
GR Burger****	Executive	3 Jul 2002	9	9
CA Carolus	Yes	18 Mar 2005	9	8
D Friedland	Yes	1 Mar 2013	9	9
PA Hourquebie	Yes	14 Aug 2017	9	9
CR Jacobs^	Yes	8 Aug 2014	9	8
B Kantor*****	Executive	8 Jun 1987	9	9
IR Kantor	No	30 Jul 1980	9	9
S Koseff******	Executive	6 Oct 1986	9	9
Lord Malloch- Brown KCMG	Yes	8 Aug 2014	9	9
KM McFarland	Executive	1 Oct 2018	4	4
NA Samujh*******	Executive	1 Apr 2019	–	–
KL Shuenyane	Yes	8 Aug 2014	9	9

* *PKO Crosthwaite was appointed as chairman of the board on 16 May 2018.*
** *F Titi stepped down as chairman of the board on 15 May 2018, F Titi was appointed as joint group CEO on 1 October 2018.*
*** *HJ du Toit was appointed as joint group CEO on 1 October 2018.*
**** *GR Burger retried from the board on 31 March 2019.*
***** *B Kantor stepped down as MD on 1 October 2018.*
****** *S Koseff stepped down as group CEO on 1 October 2018.*
******* *NA Samujh was appointed as group finance director on 1 April 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 board.*

How the board spent its time

Strategy formulation and monitoring of implementation	Finance and operations (including monitoring performance, capital and liquidity)	Governance, compliance and risk	Other
35%	30%	30%	5%

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 joint group CEOs, the following specific matters of importance were tabled and deliberated at board meetings and directors' development sessions during the year ended 31 March 2019:

BOARD AND COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Group strategy	• deliberated and approved strategy to demerge Investec Asset Management from the group • formulated and monitored the implementation of strategy • provided constructive challenge to management • monitored progress made with regard to agreed strategic initiatives • considered global trends shaping the financial industry • discussed the political environment in South Africa • oversight of the changes in leadership as announced in the preceding and current financial year.
Group compliance, risk and corporate governance and audit committees	• received and reviewed compliance reports in order to confirm that the group meets all internal and regulatory requirements • discussed and approved the 2018/2019 risk appetite framework • regularly assessed the group's overall risk profile and emerging risk themes, receiving reports directly from the group risk manager and the chairman of the DLC BRCC • received 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 the Advanced Internal Rating Based (AIRB) approach, the Foundation Internal Rating Based (FIRB) approach and International Financial Reporting Standards (IFRS) 9, 15, 16 and 17 • considered the impact of King IV and the JSE Listings Requirements • adopted the group Anti-Money Laundering (AML) and Counter Terrorism Financing (CFT) Policy • approved the Recovery and Resolution Plan for South Africa • 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 • reviewed the group's exposure to state-owned entities and related risk appetite • received reports on conduct • oversight of integrity of annual financial statement • reviewed and discussed assumptions underlying the recoverability of key exposures and investments including the impacts of IFRS 9.
Leadership	• considered regular updates by the various committees including the DLC Remco, DLC Nomdac, DLC Audit Committee, Investec Limited Audit Committee, DLC SEC and DLC BRCC • received and considered comprehensive reports from the joint group chief executive officers (including strategy execution and performance of the group within the operating environment and competitor landscape) and the FD • ensured that policies and behaviours set at board level were effectively communicated and implemented across the group.
Effectiveness	• considered the process for the 2018 board effectiveness review which took the form of an independent review conducted by Professor Robert Goffee • discussed the recommendations of the board effectiveness review • implemented the recommendations of the board effectiveness review • finalised topics for directors' development sessions.

BOARD AND COMMITTEE ACTIVITIES (continued)

Areas of focus	*What we did*
Remuneration	• received a report from the DLC Remco chairman at each meeting including regulatory developments pertaining to remuneration • approved 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 CEO, managing director and senior management – remuneration of executive directors and non-executive directors – regular meetings and open dialogue with regulators – engagement with 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 – auditors and audit quality.
Corporate citizenship	• discussed and monitored the various elements of good corporate citizenship including: • the promotion of equality, the prevention of unfair discrimination and the reduction of corruption – consideration of 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 – gained comfort that the Investec group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced – promoted the role Investec played in society – considered and enhanced the boards oversight of the group's culture – material concerns raised by employees or former employees.
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 of Investec Limited • received reports on suggested changes to the group's governance arrangements • received 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 • noted changes made to subsidiary boards on the recommendation of DLC Nomdac.

BOARD AND COMMITTEE ACTIVITIES (continued)

Areas of focus	What we did
Financial results, liquidity, solvency and viability statement	• considered, reviewed and approved the financial results for the year ended 31 March 2019 for Investec Limited • considered, reviewed and approved the financial results for the half year ended 30 September 2018 • 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 Investec Limited 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 Investec Limited Audit Committee, that the annual report and the financial statements for the financial year ended 31 March 2019 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 and approved capital plans.
Management succession	• considered matters relating to board succession and approved appointments to the board and board committees • began the orderly transition from the founding members to the new generation in accordance with the agreed management 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 for the financial year ended 31 March 2019.

The major processes of the committee are designed to ensure that the board and senior management of the group, and the group's key subsidiaries, are comprised of a talented and diverse range of people, who are aligned with the Investec culture and values, with the collective skills and experience that are necessary for the group to meet its objectives and strategic goals. This is essential for the effective governance of the group and the successful running of our businesses.

The key areas of focus for the committee in the year in question, have been the enhancement of the governance processes of the group, and the group's key subsidiaries, including the consideration of the succession plans for the board and senior management. The committee considered the fact that Cheryl Carolus and Lauren Bowden would not stand for re-election at the 2019 annual general meeting and subsequently discussed the recruitment of two female independent non-executive directors, subject to regulatory approval. The committee also discussed the effectiveness of the work performed by the board through the committee's consideration of the annual effectiveness review, which was conducted by Professor Robert Goffee, an independent external corporate governance consultant.

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 performance of the committee was assessed by Professor Robert Goffee as part of the annual effectiveness review of the board. The results showed that the committee was functioning well, with the overall standards of corporate governance in the group considered to be a particular strength. It was determined, however, that there was still some scope for development in the board's consideration of the succession plans of the board and senior management. It was, therefore, agreed that this would be a point of focus for the committee in the coming year. You can read more about the outcomes of the board effectiveness review on page 118.

Looking ahead

In 2019/2020, as the structure of the group continues to evolve, specifically following the proposed demerger of Investec Asset Management, the committee will continue to focus on the composition of the board and the board committees, including consideration of the composition of the boards and the board committees of the group's key subsidiaries, with a view to ensure the progressive refreshment of the members of the board. In considering the composition of the board, and the boards of the group's key subsidiaries, the committee is mindful of all aspects of diversity, including gender, race, skills, experience and knowledge. The committee will also continue to evaluate the Investec culture and values, in light of the changes to the board, resulting from the proposed demerger of Investec Asset Management.

PKO Crosthwaite.

Perry Crosthwaite
Chairman DLC Nomdac
14 June 2019

We aim to ensure that the board comprises of a talented and diverse range of people, aligned with the Investec culture and values, with the collective skills and experience that are necessary for the group to meet its objectives and strategic goals

DLC Nomdac

Perry Crosthwaite
Chairman DLC Nomdac

Key achievements in FY 2019

- Appointment of Nishlan Samujh as executive director
- Recruitment of two additional female independent non-executive directors, subject to finalisation of their appointments
- Consideration of the succession plans for the board and senior management
- Consideration of the annual effectiveness review.

Areas of focus in FY 2020

- Review of the composition of the board and the principal board committees
- Evaluation of the Investec culture and values
- Review of the board experience/skills matrix
- Consideration of the succession plans for the board and senior management.

Role and responsibilities

The DLC Nomdac 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 gender, social and ethnic background, cognitive and personal strengths
- maintaining the board directorship continuity programme, including the consideration of the annual board performance evaluation process.

Composition and meetings

The committee is comprised of independent non-executive directors only, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the committee. Peter Thomas, an independent, non-executive director of the IBL board, is a member of the DLC Nomdac, as the IBL representative.

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 a result, Phillip Hourquebie was appointed to be a member of DLC Nomdac, on his appointment as chairman of the DLC Remco and Lord Malloch-Brown following his appointment as chairman of the DLC SEC. IBL does not have an independent nominations and directors affairs committee and to this end, Khumo Shuenyane, the chairman of IBL was also appointed to the DLC Nomdac during the year under review.

During the financial year ended 31 March 2019, the DLC Nomdac met six times and the chart below shows how it allocated its time. 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 Sept 2014	6	6
ZBM Bassa	1 April 2017	6	6
D Friedland	16 Sept 2014	6	6
PA Hourquebie**	15 May 2018	6	6
Lord Malloch-Brown**	15 May 2018	6	6
KL Shuenyane**	15 May 2018	6	6
PRS Thomas***	9 Sept 2010	6	6
F Titi****	9 Sept 2010	–	–

* *PKO Crosthwaite was appointed as chairman of the committee on 15 May 2018.*
** *PA Hourquebie, Lord Malloch-Brown and KL Shuenyane were appointed to the committee on 15 May 2018.*
*** *PRS Thomas is the representative of IBL.*
**** *F Titi stepped down as chairman of committee on 15 May 2018. There were no committee meetings held between 1 April 2018 and 15 May 2018. F Titi recused himself from all discussions in relation to the appointment of the joint group chief executive officer of the group.*

How the committee spent its time

Succession planning/composition of boards and committees	Board effectiveness	Corporate governance and director's disclosures	Training and development
60%	15%	20%	5%

How the DLC Nomdac works

The significant matters addressed by the committee during the financial year ended 31 March 2019 are described on the following pages.

COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Board and board committee composition	**The committee:** • 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 • conducted the search for an independent non-executive director with the relevant skills and experience • agreed on the following matters: – Stephen Koseff and Bernard Kantor stepping down as group CEO and group MD – Glynn Burger stepping down from the board • considered the board suitability policy • agreed on the appointment of Nishlan Samujh as FD of Investec Limited • considered the appointment of potential new directors to the Investec Limited 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 composition of the group's key subsidiaries including: – IBL – Investec Wealth & Investment – Investec Securities Proprietary Limited – Investec Asset Management – Investec Life Limited • reviewed the composition of the boards and board committees of each of the group's key subsidiaries • considered any vacancies, new appointments or changes that would enhance the effectiveness of the boards, with regard to group oversight and governance of subsidiary companies with due regard to local regulatory or legal requirements and best practice, and ensured an appropriate level of independent scrutiny at subsidiary level • agreed on the following matter: – appointment of Philip Hourquebie as a non-executive director of IBL.
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 the independence of Ian Kantor founder, former CEO of the group and brother of executive director, Bernard Kantor and concluded that Ian could not be considered to be independent under the King IV Code • 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 • specifically considered the independence of Philip Hourquebie, who was a Regional Managing Partner of Ernst & Young until 2014, and concluded that it was satisfied that he retained independence of judgement and should be regarded as an independent non-executive director • specifically considered the independence of Cheryl Carolus who had served on the boards for a period exceeding nine years and concluded that it was satisfied that she remained independent and should be regarded as an independent non-executive director.

COMMITTEE ACTIVITIES *(continued)*

Areas of focus	*What we did*
Diversity and inclusion	• considered the diversity of the board and senior management, including the individuals noted as potential successors • discussed the potential impact to the diversity of the board when considering potential candidates for appointment to the board • approved the board diversity policy, in which the board outlines its intention to ensure a minimum female representation of 33% on the board by 2020, a minimum of 25% of the board members who are ordinarily resident in South Africa to be black women and a minimum of 50% of the board members who are ordinarily resident in South Africa to be black people.
Related parties	• investigated 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 and individual director's performance are formally evaluated annually based on recognised codes of corporate governance; the annual effectiveness review covers areas of the board's processes and responsibilities, according to leading practice. This year the board effectiveness review was externally facilitated, by Professor Robert Goffee, of the London Business School. The directors each completed a questionnaire, prior to meeting individually with Professor Robert Goffee. The interviews were broad ranging and designed to provide context to the questionnaire responses. The questionnaire comprised of eight sections, including role and organisation, agenda, corporate governance, non-executive directors, executive directors, information, monitoring group performance, board leadership and culture. The findings were collated and presented at the January 2019 board 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 board governance and functioning, in comparison with the previous externally facilitated effectiveness review, which had been conducted by Professor Robert Goffee in 2015. The review identified the strengths of the board to be the functioning of the board committees, the separation of the chairman and chief executive roles, access to external advice and the overall standards of corporate governance. It further identified that the induction process for non-executive directors and the definition of the role and the scope of the board's authority were considered to have improved from the previous externally facilitated effectiveness review. Notwithstanding the strengths, there were a number of suggested areas for improvement. The suggested areas for improvement included the provision of the opportunity for the non-executive directors to monitor the performance of the executive directors, the focus of agendas on the relevant issues and succession planning.

The board determined that further action was required in relation to the suggested areas for improvement, and agreed that the non-executive directors, principally through the DLC Remuneration Committee, would be provided a greater opportunity to monitor the performance of the executive directors. It was further agreed that the succession plans for the board and senior management would continue to be a key area of focus for the DLC Nomdac in 2019/2020, and that a review of the agenda for the board and the board committees would be undertaken. 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 you with the report of the DLC SEC for the financial year ended 31 March 2019.

The DLC SEC is responsible for monitoring the non-financial elements of corporate sustainability, specifically the group's performance in terms of social, environmental and governance (ESG) indicators.

Investec plays a critical role in funding a sustainable economy that is cognisant of the world's limited natural resources. The DLC SEC plays a fundamental role in monitoring our progress to create value and contribute to the health of our economy, our people, our communities and the environment.

The key areas of focus for the committee have been the oversight and coordination of group social, environmental and ethical matters, and oversight of the improved communication of these matters, in addition to increasing our engagement in South African society to support socio-economic development.

Please refer to the report on the following pages for details of all the material matters considered by the committee in the last year. For further information in regard to the group's approach to corporate sustainability, please refer to pages 143 to 152.

Committee performance

The performance of the committee was assessed by Professor Robert Goffee, an independent external corporate governance consultant, as part of the annual effectiveness review of the board. The results show that the committee was functioning well.

Looking ahead

In the year ahead, the committee will consider the South African Prudential Authority topic of the year, which is the creation and institutionalisation of a culture of ethics and awareness.

The committee will continue to monitor the economic, social and governance aspects of the organisation in accordance with best practice and statutory requirements in the jurisdictions the group operates in. The committee will also continue to oversee the group's progress in relation to the United Nations (UN) Sustainable Development Goals (SDGs), which provide the blueprint to achieve a better and more sustainable future for all.

Mark Malloch. Brown

Lord Malloch-Brown
Chairman, DLC SEC

14 June 2019

As a corporate, we have a significant role to play in addressing socio-economic challenges like climate change, education and job creation

DLC SEC

Lord Malloch-Brown
Chairman of the DLC SEC

Key achievements in FY 2019

- Signed up as a full participant of the UN Global Compact's 10 principles on human rights, labour, environment and anti-corruption
- Signed the CEO statement of support for the UN Women's Empowerment Principles
- Signed up to the United for Wildlife Financial Taskforce which leverages existing global financial crime architecture to combat illegal wildlife trade
- Continued to integrate ESG considerations into our daily operations, including a policy on funding coal projects which was reviewed by the DLC SEC committee
- Consolidated our positioning in terms of a variety of ethical and ESG issues into a public document called The Way We Do Business
- Reviewed the process taken by the group on the SDGs to prioritise six core SDGs

Areas of focus in FY 2020

- Maximise our socio-economic and environmental impact in core geographies
- Improve our reporting on relevant climate-related disclosures
- Monitor our progress on gender and diversity targets and performance
- Raise awareness internally and externally on the SDGs and Investec's six core priority goals

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:

- ensuring that the group promotes social and economic development, including the application of the United Nations (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 unfair 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
- overseeing ethical business practices
- improving our environmental, social and governance (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 2019, the DLC SEC met four times and the chart below shows how it allocated its time. Attendance by members at committee meetings is shown below.

		DLC SEC (4 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
Lord Malloch-Brown KCMG (chairman)*	8 Aug 2014	4	4
CA Carolus	17 May 2012	4	4
HJ du Toit**	12 Mar 2019	1	1
B Kantor	17 May 2012	4	3
S Koseff	17 May 2012	4	4
PRS Thomas***	17 May 2012	4	4
F Titi**	12 Mar 2019	1	1

* *Lord Malloch-Brown KCMG was appointed as chairman of the committee on 1 April 2018.*
** *HJ du Toit and F Titi were appointed to the committee on the 12 March 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 regular attendees

- Head of sustainability
- Head of organisational development
- Head of human resources
- Head of investor relations
- Head of company secretarial and staff share schemes
- Head of Wealth & Investment
- Head of Investec Asset Management

How the committee spent its time

Corporate sustainability	Policy matters	Employment matters	Reputational risk
35%	25%	20%	20%

How the DLC SEC works

The significant matters addressed by the committee during the financial year ended 31 March 2019 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 all its jurisdictions and strive to advance the UN 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, 1 270 youths had been placed with 11 partners. • the set-up of YES was funded and sponsored by Investec
Good corporate citizenship	• discussed the key elements of good corporate citizenship • reviewed the group's record of sponsorship, 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 15 industry members on the Dow Jones Sustainability Investment (DJSI) World Indices and of nine in 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.
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 on the learning opportunities and development of employees and others outside of the workplace • agreed on investment in learning and development opportunities for employees.
Culture and ethics	• received regular reports on the group's activities in respect of programmes offered to enhance its core values which included 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 well-being of local communities, the environment and on overall macro-economic stability.

Investec Limited Audit Committee report

I am pleased to present you with the report of the Investec Limited Audit Committee for the financial year ended 31 March 2019. For more detail with regard to the operations and functions of the respective bank audit committees please refer to the audit committee reports as contained in the respective annual reports.

Over the following pages key information about the role and functioning of the Investec Limited Audit Committee will be covered. In addition to outlining the Investec Limited Audit Committee structure, we have included some insight into how decisions are made and where judgement was applied to the significant issues addressed by the Investec Limited Audit Committee during the financial year.

Role of the chair

The role of the chair of the Investec Limited Audit Committee requires regular meetings with the heads of internal audit, compliance, legal, tax, operational and IT risk, credit, finance, the group head of corporate governance as well as the lead external audit partner and senior management outside of formal committee meetings. These interactions are essential in providing an additional layer of assurance to gain comfort that these control functions are aligned in terms of their understanding of the risks and mitigations thereof.

The Investec Limited Audit Committee and the DLC BRCC are chaired by different independent non-executive directors. David Friedland chairs the DLC BRCC. The DLC Audit Committee, Investec Limited 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, and by so doing, provide an additional layer of independence between the said committees. Given the synergies and nature of matters considered by the committees, their membership is such that an element of commonality persists. The DLC Audit Committee chair is a member of the DLC BRCC and also chairs the Investec Limited Audit Committee.

Committee performance

The Investec Limited Audit Committee performance was considered as part of the overall board effectiveness process conducted during the financial year, through an independent effectiveness review conducted by Professor Robert Goffee from the London Business School. This process identified the functioning of the Audit Committee as a particular strength. In order to address regulatory compliance Khumo Shuenyane, as the new chairman of IBL, stepped down from the Investec Limited Audit Committee on 11 December 2018. Laurel Bowden was re-appointed to the Investec Limited Audit Committee on 11 December 2018.

We see honest and transparent disclosure as a cornerstone for the long-term success and sustainability of our business

Investec Limited Audit Committee

Zarina Bassa
Chair of the Investec Limited Audit Committee

Key achievements in FY 2019

- The impact, oversight, governance and disclosures in relation to IFRS 9
- Monitoring of audit quality, external audit and audit partner accreditation and results of quality reviews
- Reviewing additional local and international cross reviews to ensure both actual and perceived audit quality
- Assessment of the overall effectiveness of the group's governance, risk management and control processes/ framework
- Oversight over regulatory compliance and the compliance programme
- Consideration of the auditor's independence
- Monitoring and close out of internal and external audit findings
- Held joint DCL Audit Committee and BRCC meetings to cover change to the IFRS 9 scenarios and probabilities for 2019
- Reviewing related party governance processes and disclosures
- Reviewed Internal audit succession
- Concluding on the proposed approach to mandatory audit firm rotation for IBL and Investec Limited
- Review of the policy on non-audit services.

Key focus areas in for FY 2020

- Assessing conduct risk
- Monitoring of group's business continuity plan
- IT Risk and cyber-security.

Role and responsibilities

The Investec Limited 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
- managing and overseeing the relationship with the group's external auditors
- reviewing the group's internal controls and assurance processes, including those of internal audit and the combined assurance model
- scrutinising the activities and performance of the internal and external auditors, including monitoring their independence, objectivity and effectiveness

Composition and meetings

The Investec Limited 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 formed the opinion that the Investec Limited Audit Committee has the appropriate balance of knowledge and skills for them to discharge their duties. In particular, a majority of the members are chartered accountants and by virtue of their experience in the banking, financial services and audit sectors, members collectively have 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 98 to 103.

Structure of the group's audit committees

In terms of Investec's DLC structure, 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 those respective companies and their subsidiaries. The IBL Audit Committee reports into the Investec Limited Audit Committee.

Investec Asset Management and Investec Wealth & Investment host independently conducted audit committee meetings and report into the Investec plc and Investec Limited Audit Committees. The DLC audit chair attends these Audit Committee meetings.

The DLC Audit Committee, has responsibility for audit-related matters that are common to Investec plc and Investec Limited. In particular, the combined group annual financial statements and year-end and interim results are considered and recommended for approval to the board by the DLC Audit Committee.

Looking ahead

In advancing the Investec Limited Audit Committee efforts of the prior year, focus will continue to be centered on the embedding of IFRS 9. IFRS 16 will also be a focus area.

The Investec Limited Audit Committee will continue to monitor IT controls and cybersecurity and the group's internal control environment.

In addition, there will be continued consideration of the independence of the internal auditor, the external auditor and audit quality measures, including the tender process to implement mandatory audit firm rotation for the 2021 financial year, at the earliest, for Investec Limited and Investec Bank Limited.

Meeting schedule and attendance

During the financial year ended 31 March 2019, Investec Limited Audit Committee met four times during the year.

		DLC Audit Committee (4 meetings in the year)		Investec Limited Audit Committee (4 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
ZBM Bassa	1 Nov 2014	4	4	4	4
LC Bowden*	11 Dec 2018	n/a	n/a	2	2
PA Hourquebie	14 Aug 2017	4	4	4	4
KL Shuenyane**	8 Aug 2014	2	2	2	2

* *LC Bowden was appointed to the Investec Limited Audit Committee with effect from 11 December 2018 and attended the DLC results meetings post the year end.*

** *KL Shuenyane stepped down from the committee with effect from 11 December 2018.*

^ *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.*

In addition, there were two additional meetings that considered audit quality and partner accreditation for each of the respective joint audit firms.

OTHER REGULAR ATTENDEES

- Joint chief executive officers of the group
- Group risk and finance director of the group
- Head of compliance
- Head of operational risk
- Heads of internal audit – Investec Limited and Investec plc
- Head of finance
- External auditors
- Head of company secretarial and share schemes
- Head of corporate governance
- Head of risk
- Head of tax
- Chief operational officer of IBL
- Chief executive officer of IBL
- Chief operational officers of Investec Wealth & Investment

Investec Limited Audit Committees

How the committee spent its time

Investec Limited				
Financial reporting	External audit matters	Internal audit matters	Risk management and internal controls (including BCP, IT risk and cyber security)	Other (including macro issues and reports from subsidiary committees)
20%	**30%**	**25%**	**15%**	**5%**

How the Investec Limited Audit Committee works

The significant matters addressed by the committee during the financial year ended 31 March 2019, and in evaluating the annual report and financial statements are described on the following pages.

Financial reporting

The Investec Limited Audit Committee's primary responsibility in relation to the group's financial reporting is to review with both management and the external auditor the appropriateness of the group's financial statements, with its primary focus being on:

- assessing whether the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy
- material areas where significant judgements have been made, along with any significant assumptions or estimates, or where significant issues have been discussed with or challenged by the external auditor
- the appropriateness of accounting policies and practices.

Accounting policies and practices

The committee discussed reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and the proposed disclosure of these in the 2019 annual report.

Following discussions with both management and the external auditor, the committee approved the critical accounting judgements, significant accounting policies and disclosures, which are set out in the significant accounting policies on pages 177 to 186.

Key audit matters

The following key audit matters were deliberated by the Investec Limited Audit Committee during the year:

Key audit matters are in the view of the Audit Committee those matters that required significant focus from the committee, were considered to be significant or material in nature requiring assumptions and the exercise of judgement, or those matters which were otherwise considered to be subjective from an accounting or auditing perspective.

IFRS 9

- the implementation of IFRS 9 including model assumptions, appropriateness and governance, reasonableness of multiple economic scenarios, weightings and probabilities, EAD and LGD assumptions, ECL and fair value, management overlays applied to model outputs and the overall IFRS 9 disclosure
- exposures to distressed sectors and to state owned entities in Investec Limited

Valuation of level 3 instruments and fair value loans

Challenged and debated significant subjective exposures and assumptions including:

- the valuation of level 3 investments and fair value loans
- exposures in respect of Southern African mining loans and investments. Assessed whether there had been a significant increase in credit risk (SICR). Considered management's plans for work out of such exposures, client history, geographical and sectoral exposure and assumptions around collateral valuation and debt restructures.

Provision for Uncertain Tax Positions

The committee considered and concluded on the level of and disclosure of tax provisions in the group, which have not changed materially from the previous year and remain until the resolution of negotiations with the respective tax authorities.

Applicability of IFRS 5 to the Demerger of Investec Asset Management from the Investec Group

The committee concluded that IFRS 5 was not yet applicable to the accounting for the investment in Investec Asset Management given that the demerger is still subject to regulatory and shareholder approval and hence cannot be considered to be highly probable in terms of IFRS 5.

Contingent Liabilities

The committee considered whether the disclosure in respect of contingent liabilities, including legal proceedings, if any, was complete and appropriate.

Other Areas of Audit Committee Focus

- Monitoring and following up of external and internal audit control findings, including IT, and ensuring appropriate mitigation and timeous close out
- The implementation of IFRS 15
- Review of unlisted and private equity investments including investments in associates and the overall valuations and recognition of revenue
- Reviewing related party governance processes and disclosures
- Review of regulatory compliance reports and oversight over the compliance programme
- Monitoring of Audit Quality, both internal and external
- Determination of the plan and process for future Mandatory Audit Firm Rotation (MAFR) as required by the Independent Regulatory Board for Auditors in respect of Investec Limited
- Review of the need for Post Balance Sheet disclosure, if any.

Significant judgements and estimates

The significant judgements, estimates and actions taken by the committee in relation to the 2019 annual report and financial statements are outlined below. Each of these matters was discussed with the external auditor during the year and, where appropriate, has been addressed in the auditor's report on pages 158 to 166.

Detail of committee activities

Area of focus	*What we did*
Impairments • the group has implemented IFRS 9 by developing models to calculate expected credit losses in a range of economic scenarios. The key areas of judgement include setting modelling assumptions, developing methodologies for the weighting of economic scenarios, establishing criteria to determine significant deterioration in credit quality and the application of management adjustments to the model output	• challenged the level of provisions and the assumptions used to calculate the expected credit loss provisions held by the group • assessed expected credit losses experienced against forecast, and considered whether credit loss provisions were appropriate. Particular focus was given to the sectors and exposures which are affected by the current macro-economic environment • monitored the group's expected credit losses, model changes, scenario updates, post-model adjustments, and volatility • evaluated the IFRS 9 disclosures • a dedicated combined audit and risk committee meeting was convened to consider the changes to the models, economic scenarios and weightings over the period of the financial year end.
Valuations • the group exercises judgement in the valuation and disclosure of financial instruments, derivative assets and certain portfolios including unlisted and private equity investments	• challenged and debated material individual positions, in particular the unlisted and private equity investments including associates • received presentations on the material investments across the group including an analysis of the key judgements and assumptions used • the committee approved the valuation adjustments proposed by management for the year ended 31 March 2019.
Tax • there are certain legacy structured transactions within the group, where there is uncertainty over the outcome of the tax positions and judgement is required over the calculation of the provision	• received regular updates on this topic from tax, group finance and legal to enable it to evaluate the appropriateness of the tax provision • analysed the judgements and estimates made and discussed the potential range of outcomes that might arise • the committee confirmed the tax provisions and disclosures for the year ended 31 March 2019.
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	• the committee undertakes an assessment on behalf of the board, in order to provide the board with assurance that it can make the statement • considered reports on the group's budgets and forecasts, profitability, capital, liquidity and solvency and the impact of legal proceedings; if any • the committee concluded that it was satisfied that the group had adequate resources to continue in business for the foreseeable future • the committee concluded that following the intended demerger of Investec Asset Management from the Investec group, the group would have adequate resources to continue business for the foreseeable future • the committee recommended to the board that it was appropriate for the financial statements to be prepared on a going concern basis.

Area of focus	What we did
Fair, balanced and understandable reporting • the group is required to ensure that its external reporting is fair, balanced and understandable, and whether it provides the information necessary for stakeholders to assess the group's position and performance, business model and strategy	• the committee undertakes an assessment on behalf of the board, in order to provide the board with assurance that it can make the statement • 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 • confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • 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 year ended 31 March 2019 were appropriate in ensuring that those statements were fair, balanced and understandable • the committee recommended to the board that the 2019 annual report and financial statements were fair, balanced and understandable.

Other significant matters

Apart from financial reporting matters, the committee has responsibility for the oversight of the effectiveness of the group's internal controls, the performance and effectiveness of internal audit, and the performance, objectivity and independence of the external auditor. In addition to the standard and regular agenda items, such as reports from the prudential assurance, conduct and controls committee, the most significant matters considered during the financial year ended 31 March 2019 are described in the table below.

Area of focus	What we did
Internal controls • the effectiveness of the overall control environment, including the IT environment, the status of any material control issues with emphasis on the progress of specific remediation plans	• 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 • received regular reports from the IBL Audit Committee (chaired by the Investec Limited Audit Committee chair) and other subsidiaries, including Investec Wealth & Investment, Investec Asset Management and Investec Bank Mauritius • considered the second line of defence role in the oversight of operational risk controls • evaluated reports on the internal control environment from the internal and external auditors • the committee requested confirmation from management regarding the remediation of the issues identified including the time frames and accountability for remediation • reviewed and approved the Combined Assurance Model, ensuring completeness of risks and adequacy of assurance coverage.
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 the IBL Audit Committee, the IBL PCCC and considered the deliberations of the DLC BRCC and the IBL BRCC • assessed reports on individual businesses and functions on their control environment, and scrutinised any identified control failures and closely monitored the status of remediation plans • received updates from senior management, and scrutinsed action plans following unsatisfactory audit findings • the committee requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation. • oversight over regulatory compliance and the compliance programme – considered reports from group compliance at each meeting.

Area of focus	*What we did*
Internal audit • the performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, the internal audit methodology and coverage of the internal audit plan	• scrutinised and agreed internal audit plans, methodology and deliverables • received regular reports from internal audit on all significant issues identified by the internal audit function • monitored delivery of the agreed audit plans, including assessing internal audit resources and any impacts on the audit plan • tracked the levels of high risk audits, and monitored related remediation plans • met with the head of internal audit, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted • the committee confirmed that it was satisfied with the performance of the internal audit function • an external evaluation of the internal audit function is to be conducted during the 2019/2020 financial year.
External audit • the performance and work of the joint external auditors, Ernst & Young Inc. and KPMG Inc.	• the committee approved the external audit plan and the main areas of focus.met with Ernst & Young Inc. and KPMG Inc., the joint auditors of Investec Limited, prior to every Audit Committee to discuss audit plans, findings, scope and conclusions • assessed regular reports from external audit on the progress of the 2018/2019 audit and any material accounting and control issues identified • discussed external auditor feedback on the group's critical accounting estimates and judgements.
• **Finance function**	• held a closed session of the Investec Limited Audit Committee to discuss and conclude on the effectiveness of: – the finance director – the finance function.

External audit

The Investec Limited Audit Committee has responsibility for reviewing the group's relationship with its external auditors, including appointment, considering audit fees, all non-audit services provided by the external auditors and the independence and objectivity of the external 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 Investec Limited Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

Auditors

Investec Limited is subject to joint audit requirements. The joint auditors of Investec Limited and Investec Bank Limited are Ernst & Young Inc. and KPMG Inc.

See further information on re-election of auditors on page 130.

Non-audit services

The Investec Limited Audit Committee has adopted a 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 Audit Committees. The policy was reviewed and revised during the current year.

The Investec Limited Audit Committee reviews whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group.

Total audit fees paid to all auditors for the year ended 31 March 2019 were £5.5 million (2018: £6.6 million), of which £0.14 million (2018: £0.87 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 of the DLC Audit Committee prior to every assignment.

The level of fees related to non-audit services for the 2019 year were at a higher level than usual. This was carefully monitored and considered by the Audit Committee which was comfortable that the services were those typically provided by the external auditors, such as circulars and pre-listings regulatory requirements in the run up to the demerger of Investec Asset Management from the Investec group. The Audit Committee is comfortable that these services did not impact the independence of the auditors in their conduct of the attest function.

Based on the abovementioned policy and reviews, the Investec Limited Audit 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.

Working with the external auditor

The Investec Limited Audit Committee met with the external auditors to review the scope of the external audit plan, budgets, the extent of non-audit services rendered and all other audit matters. The external auditors are invited to attend Investec Limited Audit Committee meetings and have access to the Investec Limited Audit Committee chair on an ongoing basis formally before each Investec Limited Audit Committee meeting.

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 Investec Limited Audit Committee, together with specific responsibilities around audit quality. In this regard discussions in respect of audit quality continued between the Investec Limited Audit Committee and Ernst & Young Inc and KPMG Inc.

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;
- 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;
- results of the last firm-wide reviews carried out by the regulatory body, IRBA in South Africa; AQRT in the UK as well as other international bodies such as the PCAOB;
- 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.

Regarding the challenges experienced during 2017 by KPMG Inc. in South Africa, the resultant external independent investigation by SAICA (Ntsebeza Enquiry), and subsequent issues emanating from the VBS audit in 2018, several processes were initiated to ensure and confirm audit quality. KMPG Inc. and Ernst & Young Inc. collaborated on their audit processes and additional audit quality control reviews were introduced with additional cross reviews by KPMG International. Individual sessions with management, the internal auditors and each of the external auditors were undertaken separately to consider audit quality. As part of the considerations for the current year, certain areas of work were rotated between Ernst & Young Inc. and KPMG Inc. The Investec Limited Audit Committee concluded that it was satisfied that a robust audit process was in place with deep levels of enhanced cross reviews by KPMG Inc. and Ernst & Young Inc., KPMG International and by EY LLP, the group's lead auditors.

Auditor independence and objectivity

The Investec Limited 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 periods in 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 extent of audit cross reviews, both between the joint auditors of Investec Limited, and the additional cross reviews by the Investec DLC auditors across the group supported by partner rotation, limitations on and pre-approval of non-audit work and the confirmation of the independence of the firms and teams involved are adequate safeguards to ensure that the audit process is both objective and effective.

Mandatory audit firm rotation

Investec Limited and Investec Bank Limited are subject to joint audit requirements as required by the South African Prudential Authority. The regulations regarding mandatory audit firm rotation (MAFR) will become effective on 1 April 2023 and are applicable to the group's 2024 financial year end. The Investec Limited Audit Committee has considered the implications of mandatory audit firm rotation, the requirements of the Companies Act, the views expressed by shareholders and the implications of having joint auditors, managing audit quality and the risks inherent during a transition and has agreed to commence the process of mandatory audit firm rotation by rotating off one of the joint auditors effective from the 2021 financial year end at the earliest, with the remaining firm rotating off within an approximate two-year period thereafter. A comprehensive tender process will be put in place in advance of the rotations.

Re-election of auditors

In making the recommendation for the re-election of Investec Limited's and Investec Bank Limited's auditors, the board and the Investec Limited Audit Committee have taken into consideration the South African Companies Act and the South African Prudential Authority requirements with respect to joint auditors and mandatory firm rotation.

Having satisfied itself as to auditor independence and audit quality, the board and Investec Limited Audit Committee is recommending the re-election of Ernst & Young Inc. and KPMG Inc. as joint auditors of Investec Limited and Investec Bank Limited at its annual general meeting in August 2019.

Zarina Bassa
Chair, IBL Audit Committee

14 June 2019

DLC Board Risk and Capital Committee report

As the chairman of the DLC BRCC, during the financial year ended 31 March 2019, I am pleased to present our report.

The role of the committee is to review, on behalf of the board, management recommendations on a range of risks facing the business. We perform this function by considering the risk reports presented and question whether no management action is required or whether existing actions taken by management following discussion are appropriate.

During the year under review all risk and capital measures remained within the board-approved risk appetite despite a number of emerging economic and political risks which presented themselves. The committee reviewed and approved the capital plans under various stress scenarios. The committee was also actively involved in reviewing the various models of the Foundation Internal Rating Board (FIRB) project. Special meetings were held where the various models were presented to the committee for approval. 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 FIRB and retail portfolios using AIRB, effective April 2019.

As a committee, we gained comfort from the fact that a detailed review of the risk appetite limits was conducted by the executives in the Policy ERRF, who recommended the risk appetite limits to the committee for approval. We reviewed the risk appetite limits and challenged the assumptions contained therein.

Reports to the committee focus on the key risk disciplines of credit, operational, legal, conduct, reputational, capital, liquidity, market and investment risk and cybersecurity. However, 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.

At each board meeting, a report is presented on the key matters discussed at the committee and focus in accordance with any new risks identified.

Committee performance

Evaluation of the committee's performance as part of the overall board effectiveness review was conducted by Professor Goffee, from the London School of Business and no areas of concern in respect of the functioning of the committee were identified.

We believe that robust risk management systems and processes are in place to support the group strategy

DLC board risk and capital committee

David Friedland
Chairman of the DLC BRCC

Key achievements in FY 2019

- Review of the targeted attack simulation exercise conducted by external consultants in order to mitigate cybercrime risk. Ensured remedial action was being taken in respect of identified weaknesses, if any
- Monitoring of progress of the AIRB project
- Monitoring of the effectiveness of the Risk Data Aggregation and Risk Reporting (RDARR) Project
- Understanding and challenging the implementation of IFRS 9.

Areas of focus in FY 2020

- Monitoring and continued mitigation of risks related to cybercrime and information security
- Review of model changes to AIRB activities
- Monitoring of effective RDARR
- Continued focus on the further embedding of IFRS 9
- Monitoring of Regulatory Developments.

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 these risks that are reported to the committee accurately reflect the risks facing the business. The audit committee has the primary role in providing assurance to the board that enterprise wide risks have been correctly identified and appropriate controls are in place. Therefore, the audit committee will rely on the output of the DLC BRCC to give assurance as regards enterprise wide risk. As it is essential that there are some synergies in membership of the DLC Audit Committee and DLC BRCC, common membership will be retained by Zarina Bassa, as the chair of the DLC Audit Committee and Investec Limited Audit Committee and Philip Hourquebie, a member of the DLC Audit Committee and Investec Limited Audit Committee.

Looking forward

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, 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, and review of model changes to AIRB activities.

The committee will continue to focus on the requirements in relation to the further embedding of IFRS 9.

David Friedland
Chairman, DLC BRCC
14 June 2019

Role

The DLC BRCC 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 DLC BRCC is the most senior risk management committee of the group and comprises executive and non-executive membership (the majority of whom are non-executive directors). It covers each material banking, wealth management and asset management subsidiary company within the wider group.

The DLC BRCC 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 DLC BRCC ensures a robust culture supported by oversight and management information to evidence good practice.

The DLC BRCC is also the appointed board committee to meet the requirements of the South African Banks Act. This requires the board of directors of a bank and a holding company to appoint a risk and capital committee.

The DLC Nomdac and the board have formed the opinion that the DLC BRCC has the appropriate balance of knowledge and skills in order to discharge its duties. In particular, the majority of members are independent non-executive directors, as required in terms of King IV, and all members have the relevant knowledge and experience for them to be able to consider the issues that are presented to the committee.

Composition and meetings

DLC BRCC meets at least six times every year. During the year ended 31 March 2019, the DLC BRCC met six times.

		(6 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
D Friedland (Chairman)	13 Sep 2013	6	6
ZBM Bassa	14 Nov 2014	6	6
GR Burger*	11 Mar 2011	4	3
PKO Crosthwaite	9 Nov 2018	1	1
B Kantor	11 Mar 2011	6	6
S Koseff	11 Mar 2011	6	6
PA Hourquebie	17 Aug 2017	6	6
KL Shuenyane	16 Jan 2015	6	6
F Titi	11 Mar 2011	6	6

* *GR Burger stepped down from the committee on 31 March 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

- Operational risk
- Head of IT security
- Investec Wealth & Investment Global Head
- Chief risk officer – Investec Limited
- Investec Asset Management COO
- Investor relations representative
- Global head of governance and compliance
- CFO Specialist Bank – Investec Limited (for AIRB meetings)
- AIRB project representative (for AIRB meetings)
- Head of risk – Investec Wealth & Investment

How the committee spent its time

Capital	Balance sheet risk	Credit risk	Market risk	Other (Including legal, operational, group insurance, conduct risk, business continuity, cybercrime and IT)
25%	20%	20%	10%	25%

How the DLC BRCC works

The significant matters addressed by the committee during the financial year ended 31 March 2019 are described on the following pages.

The standard and regular agenda items of the committee include comprehensive reports in regards 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*
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	• reviewed a report highlighting group activity, liquidity balances and key measures against thresholds and limits.
Business continuity risk • 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 continuity risk • challenged the effectiveness of the management of such risk within the business.
Capital management • 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 impending regulations on the management of capital – IFRS 9, AIRB, change in classification of IEP Group Proprietary Limited for capital purposes • satisfied itself that Investec Limited were adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios.
Credit and counterparty risk • Credit and counterparty risk are defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the group	• monitored the risk appetite limit and queried management action taken in respect of breaches • challenged the effectiveness of the management of such risks within the business.
Conduct risk • Conduct risk means 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 • challenged the effectiveness of the management of such risks within the business.
Cybercrime risk • Risk associated with cyber attacks, which can interrupt client services or business processes, or result in financial losses	• received regular reports regarding the cybercrime landscape, including lessons learnt from external cyber attacks • received the targeted attack simulation results and ensured that any remediation required was completed • gained comfort that the management of cybercrime was given the necessary priority.

COMMITTEE ACTIVITIES *(continued)*

Areas of focus	*What we did*
Liquidity risk • Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash flows and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events	• reviewed a report which highlights group activity, liquidity balances and key measures against thresholds and limits.
Market risk • 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 • gained comfort that the group had addressed breaches to limits appropriately.
Operational risk • 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 to ensure no further risk events • 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.
Recovery and resolution plan • To document how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec Limited	• reviewed the recovery and resolution plans for both Investec Limited in line with the mandated annual review • questioned the contents of the recovery and resolution plans which address how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec Limited • gained comfort that adequate plans had been put in place for scenarios where Investec Limited was required to recover from extreme financial stress.
Reputational risk • 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.

DLC Remuneration Committee report

For information on the decisions taken by the DLC Remuneration Committee, refer to the remuneration report contained on pages 168 to 218 in volume one of the Investec group's 2019 annual report.

		(9 meetings in the year)	
Members during the year	**Committee member since**	**Number of meetings held**	**Eligible to attend**
PA Hourquebie (chairman)*	14 Aug 2017	9	9
ZBM Bassa	10 Sep 2015	9	9
PKO Crosthwaite	18 Sep 2013	9	9
CR Jacobs	8 Aug 2014	9	9

* *PA Hourquebie was appointed to the DLC Remco with effect from 14 August 2017 and was appointed chairman with effect from 1 April 2018. PA Hourquebie recused himself from any discussions in relation to the remuneration of the chairman of the DLC Remco.*

How we comply

Regulatory context

Investec 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).

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 5 to 12 of volume three of the Investec group's annual report, for the strategic 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

Viability statement

In addition to providing a going concern statement, the board is required, in terms of the UK Corporate Governance Code, 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 18.

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 risk appetite for the Investec group. The group's risk appetite statement sets 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 BRCC meeting and at the main board meetings.

In terms of the South African Prudential Authority, the FCA and PRA 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'.

Scenario modelling and rigorous daily liquidity stress tests are performed to measure and manage the group's respective banking entities' liquidity positions such that payment obligations can be met under a wide range of company specific and market-driven stress scenarios. The objective is to have sufficient liquidity, in an acute stress scenario, to continue to operate for a minimum period as detailed in the board-approved risk appetite and as required by the regulators. The group's risk appetite also requires each banking entity to maintain a minimum cash to customer deposit ratio of 25%, and ensure that the respective banking entities are not reliant on wholesale funding to fund core asset growth. Each banking entity is required to be fully self-funded. Our banking businesses in both the UK and South Africa exceed the regulatory requirements for the net stable funding ratio and liquidity coverage ratio. The group currently has R118.4 billion in cash and near cash assets, representing 34.7% 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 performed in designing Investec's specific stress scenarios. The group also incorporates the South African Prudential Authority and Bank of England (BOE) annual cyclical stress scenarios into its capital and liquidity processes. As the group's banking entities are regulated separately and ring-fenced from one another, different stress scenarios apply across the respective banking entities and jurisdictions.

Both Investec Limited and Investec plc run a number of stress scenarios including the ones briefly highlighted below which were applied in the current financial year.

Investec Limited:

- A scenario which incorporates a global economic slowdown, possibility of further South African sovereign credit rating downgrades, Rand weakness, depressed confidence and investment measures and where South Africa experiences a V-shaped recession and a commodity price slump
- A scenario where there is a sovereign crises, persistent government service outages, sub-investment grade South African sovereign credit ratings, partial loss of private sector property rights under state custodianship and a lengthy global recession.

Investec plc:

- The BOE's annual cyclical stress scenario: this scenario incorporates a UK slowdown in GDP growth, a significant house price fall, a material slump in Pound Sterling, increasing inflationary pressure which is counteracted by an increase in UK interest rates to 4.5%
- A global scenario where there is a material stress on corporates and protracted weak global growth with low interest rates
- A domestic scenario where there is a prolonged period of weak investment and growth in the UK, increased political uncertainty and a domestic household shock incorporating a UK downturn and a UK housing market slump. In this scenario we assume that the international backdrop is benign with some slight negative spill over from the UK through various linkages to the Euro area.

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 highly unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery and resolution plan for both Investec Limited and Investec plc. The purpose of the recovery plans are to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties in its separately regulated companies.

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 and resolution plans and the risk appetite statement are reviewed at least annually. In addition, senior management hosts an annual risk appetite process at which the group's risk appetite framework is 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 Investec 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 2022 under these various scenarios. 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, dividend payments being reduced and asset growth being curtailed. In reviewing the three year capital plans the board has also tested the group's viability in relation to the proposed demerger and separate public listing of the Investec Asset Management business.

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 4 to 17 and 21 to 24, which shows a strategic and financial overview of the business
- Page 18, which provide detail on the principal and emerging risks the group faces
- Page 30, which highlights information on the group's risk appetite framework
- Pages 26 to 28 and 31 to 38, 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 33 to 36, 56, 59, 61, 64, 69, 71 and 81 in volume two which highlight information on the group's various stress testing processes
- Pages 63 to 67 in volume two, which specifically focus on the group's philosophy and approach to liquidity management
- Pages 78 to 91, 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 14 June 2019. 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 Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. 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 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 Act 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.

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 DLC 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.

Report to shareholders

This report to shareholders has been approved and authorised for issue to the shareholders of Investec Limited on 14 June 2019 and signed on its behalf by:

Niki van Wyk
Company secretary

Investec Limited

Investec ordinary shares

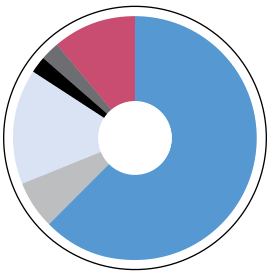
As at 31 March 2019 Investec Limited had 318.9 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2019

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 171	1 – 500	48.1%	738 361	0.2%
1 265	501 – 1 000	14.6%	971 062	0.3%
1 745	1 001 – 5 000	20.1%	3 963 611	1.2%
409	5 001 – 10 000	4.7%	3 022 667	0.9%
594	10 001 – 50 000	6.8%	14 612 215	4.6%
186	50 001 – 100 000	2.1%	12 920 885	4.1%
310	100 001 and over	3.6%	282 675 908	88.7%
8 680		**100.0%**	**318 904 709**	**100.0%**

Geographical holding by beneficial ordinary shareholder as at 31 March 2019



INVESTEC LIMITED

62.7%	South Africa
6.3%	UK
15.2%	USA and Canada
2.3%	Rest of Europe
2.4%	Asia
11.1%	Other countries and unknown

Largest ordinary shareholders as at 31 March 2019

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)	40 179 999	13.4%
2. Allan Gray (ZA)	39 789 816	12.5%
3. Old Mutual Investment Group (ZA)	17 301 495	5.4%
4. BlackRock Inc (UK & US)	13 895 976	4.4%
5. Sanlam Group (ZA)	13 431 628	4.2%
6. Investec Staff Share Scheme (ZA)	12 521 294	3.9%
7. The Vanguard Group Inc (UK & US)	11 704 039	3.7%
8. Dimensional Fund Advisors (UK)	8 521 205	2.7%
9. Coronation Fund Managers (ZA)	6 919 064	2.2%
10. Laurium Capital (ZA)	6 132 737	1.9%
Cumulative total	**170 397 253**	**54.3%**

The top 10 shareholders account for 54.3% 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 2019

	Number of Investec Limited shares	% holding
Public*	303 295 339	95.1%
Non-public	15 609 370	4.9%
Non-executive directors of Investec Limited	60 331	0.0%
Executive directors of Investec Limited	3 027 745	1.0%
Investec staff share schemes	12 521 294	3.9%
Total	**318 904 709**	**100.0%**

* *As per the JSE Listings Requirements.*

Share statistics

Investec Limited

For the period ended	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Closing market price per share (Rands)							
– year ended	84.34	92.28	91.46	109.91	100.51	84.84	64.26
– highest	105.31	105.62	112.11	121.90	107.35	85.04	69.89
– lowest	76.92	85.00	81.46	93.91	86.02	59.00	41.31
Number of ordinary shares in issue (million)*	318.9	310.7	301.2	291.4	285.7	282.9	279.6
Market capitalisation (R'million)*	84 424	90 481	87 646	99 886	90 388	75 652	56 857
Market capitalisation (£'million)*	4 424	5 393	5 213	4 662	5 045	4 325	4 061
Daily average volume of shares traded ('000)	860	1 031	1 149	963	739	810	980

* *The JSE Limited 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. a total of 1 001.0 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 2019

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
1 036	1 – 500	17.6%	319 703	1.0%
1 254	501 – 1 000	21.3%	1 032 665	3.2%
2 592	1 001 – 5 000	44.1%	6 127 441	19.0%
491	5 001 – 10 000	8.4%	3 536 035	11.0%
432	10 001 – 50 000	7.3%	8 343 657	25.9%
76	50 001 – 100 000	1.3%	12 854 998	39.9%
–	100 001 and over	0.0%	–	0.0%
5 881		**100.0%**	**32 214 499**	**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
768	1 – 500	20.9%	208 118	1.3%
876	501 – 1 000	23.9%	755 233	4.9%
1 481	1 001 – 5 000	40.4%	3 558 887	23.0%
291	5 001 – 10 000	7.9%	2 116 632	13.7%
213	10 001 – 50 000	5.8%	4 227 184	27.4%
24	50 001 – 100 000	0.7%	1 562 119	10.1%
13	100 001 and over	0.4%	3 019 457	19.6%
3 666		**100.0%**	**15 447 630**	**100.0%**

Largest preference shareholders as at 31 March 2019

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 2019.

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 2019.

Corporate sustainability

Corporate sustainability at Investec is about contributing in a positive and responsible way to the health of our economy, the well-being of our staff and communities, while safeguarding our natural resources to build a more resilient and inclusive world.

Over the past year we have:

- **prioritised six core Sustainable Development Goals (SDGs)**
- **continued to integrate environmental, social and governance (ESG) considerations into our daily operations and**
- **created value through our commitment to the six capitals.**

www *For detailed information download our 2019 corporate sustainability and ESG supplementary report from our website.*

Funding a sustainable economy

We play a critical role in funding a sustainable economy that is cognisant of the world's limited natural resources.

- We signed up as full participants of the United Nations Global Compact's 10 principles on human rights, labour, environment and anti-corruption
- We signed the CEO statement of support for the United Nations Women's Empowerment Principles
- We have strengthened our climate change statement that supports the transition to a low-carbon economy. Together with UK Climate Investments, Investec committed R1 billion to a dedicated renewable energy investment vehicle called Revego Africa Energy
- As one of the first signatories to the Youth Employment Service (YES) initiative in South Africa, we placed more than 1 200 youth with 11 partners during the year
- We signed up to the United for Wildlife Financial Taskforce which leverages existing global financial crime architecture to combat illegal wildlife trade.

We participate and have maintained inclusion in several globally recognised sustainability indices.

- Investec Limited ranked as one of four industry leaders on the DJSI Emerging Markets Index
- Constituent of the FTSE4Good Index
- Constituent of the ECPI Index
- Constituent of the FTSE/JSE Responsible Investment Index Series
- Rated AAA on the MSCI Global Sustainability Index Series
- Member of the STOXX Global ESG Leaders Indices.

SDGs

We have committed to support delivery of the United Nations SDGs in building a more resilient and inclusive world.

Our business model is best positioned to contribute to the SDGs by facilitating strong institutions (SDG 16) and partnering with our clients and stakeholders (SDG 17) to have a tangible impact on reducing inequality (SDG 10).

After extensive stakeholder engagement over the past 18 months, we prioritised our goals to ensure that they are globally aligned yet locally relevant to our core geographies and reflect our current business model and growth strategy. The aim is to maximise socio-economic and environmental impact by coordinating and integrating activities across our operations, businesses and communities. Financing innovative solutions that enable access to clean water (SDG 6) and affordable energy (SDG 7) as well as providing access to quality education (SDG 4) are all vital for economic growth and job creation (SDG 8). At the same time, our business has established expertise in building and supporting infrastructure solutions (SDG 9) and funding sustainable cities and stronger communities (SDG 11). As a result, we prioritised these six core SDGs which, given the interconnected nature of the goals, will help maximise our contribution to all 17 goals. We will continue to test these priorities for relevance and impact as our SDG journey progresses.

www *Refer to our 2019 corporate sustainability and ESG supplementary report on our website for more details on our impact through the SDGs.*

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

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders as highlighted below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern.

We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks.

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

As a requirement of our DLC structure, we comply 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 our shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Prudential Authority.

We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have 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.

We have a board-approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

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.

We engage regularly with our stakeholders:

Employees	Investors and shareholders	Clients	Rating agencies
• Quarterly magazine • Staff updates hosted by executive management • Group and subsidiary fact sheets • Tailored internal investor relations presentations • Induction training for new employees • Regular staff communications • Dedicated comprehensive intranet • Senior management engagement breakfasts	• Annual general meeting • Four investor presentations • Stock exchange announcements • Comprehensive investor relations website • Shareholder roadshows and presentations • Regular meetings with investor relations team and executive management • Annual meeting with investor relations, group company secretarial, the chairman of the board, senior independent director and chairman of the remuneration committee • Regular email and telephone communication • Annual and interim reports	• Client relationship managers in each business • Regular face-to-face, telephone and email communications • Meetings with senior management • Comprehensive website and app • Industry relevant events • Client marketing events	• Meetings with investor relations team, group risk management and executive management • Tailored rating agency booklet • Tailored presentations • Regular email and telephone communications • Annual and interim reports • Four investor presentations • Comprehensive investor relations website
Government and regulatory bodies	**Equity and debt analysts**	**Media**	**Suppliers**
• Active participation in a number of policy forums • Response and engagement with all relevant bodies on regulatory matters • Industry consultative bodies	• Four investor presentations • Stock exchange announcements • Comprehensive investor relations website • Regular meetings with investor relations and executive management • Regular email and telephone communications • Annual and interim reports	• Regular email and telephone communications • Stock exchange announcements • Comprehensive website • Meetings with executive management, economists and industry spokespersons • Dedicated third party public relations teams	• Centralised negotiation process • Ad hoc procurement questionnaires requesting information on suppliers' environmental, social and ethical policies

Topical discussions with our stakeholders

Impact of the political and economic environment

It's been a challenging operating environment in South Africa with some volatility expected to continue. Key for stakeholders is the resilience of our business model through varied economic cycles.

Notwithstanding the challenging backdrop, the group delivered a sound operational performance and was able to maintain healthy asset quality and risk metrics. Our risk appetite framework as set out on page 30 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.

Succession

Succession of the Investec group's long-serving executive management has been an ongoing focus area for stakeholders over the past few years. The announcement of the Investec group's succession plan in February 2018 was well received. Since then a number of additional management changes have been announced as outlined in the Investec group's 2019 integrated annual report. As we transition from a founder-led business, we are confident that we have strong and diverse leadership teams in place, who are embedded in the group's culture and values, and well-equipped to steer the businesses to achieve their long term strategic objectives.

Strategic review and proposed demerger

Following the Investec group's management succession announcement, a comprehensive strategic review was conducted to ensure that the group remains well positioned to serve the long-term interests of all stakeholders. After considering a full range of options, the Investec group announced in September 2018 its intention to simplify and focus the business, in pursuit of disciplined growth over the long term. In this regard, the board concluded that a demerger and separate listing of Investec Asset Management would simplify the group and 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. The proposed demerger is still subject to regulatory and shareholder approvals, and is expected to be completed during the second half of 2019.

Improving and sustainable returns

The Investec group hosted Capital Markets Days (CMDs) for the Asset Management business and the Bank and Wealth business in November 2018 and February 2019 respectively. Both CMDs were successful in reaffirming the businesses' positioning and communicating the respective strategies. The Bank and Wealth CMD also provided an opportunity to highlight some of the key initiatives underway to enhance returns and to set out the new short- to medium-term ROE and cost-to-income targets for the Bank and Wealth business.

Shareholder dilution

The resolutions granting directors' authority to allot shares were passed with a majority of less than 80% at our annual general meeting in August 2018. The board has taken shareholder concerns into account in relation to the dilutive effect of the issuance of ordinary shares and these resolutions will not be proposed at the group's 2019 AGM.

Executive remuneration

The resolution to approve the updated executive remuneration policy was passed with a majority of less than 80% at our annual general meeting in August 2018. The revised remuneration policy incorporated feedback from extensive engagement with shareholders addressing a number of matters, notably; a reduction in total executive director compensation, better alignment between pay awards and performance, simplification in pay structures and the assessment of executive director performance, pro-rating of unvested long-term incentive plan awards for departing executive directors and the introduction of a minimum shareholding requirement for executive directors.

Overall, shareholders provided positive feedback on the changes made and on the level of detail and clarity of the disclosure. However, some of the 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 group's shareholders decided to vote against the remuneration policy.

With the announcement of the proposed demerger of Investec Asset Management, the group used the opportunity to re-engage with its largest shareholders on the current policy as well as on technical amendments to the policy which will be implemented following the proposed demerger. Based on the discussions held to date, the board believes that a new remuneration policy is not required at this time. Refer to the Investec group's 2019 integrated annual report.

Auditor independence

In light of increased corporate and audit firm scandals, audit quality and auditor independence has been under heightened scrutiny by stakeholders. This was particularly pertinent in relation to challenges experienced by KPMG Inc. in South Africa. The Audit Committee spent time during the year on matters pertaining to audit quality and auditor independence and these matters are explained in detail on pages 122 to 130 in the corporate governance section of this report. With respect to KPMG Inc. specifically, several processes were initiated to ensure and confirm audit quality as detailed on page 129. The Audit Committee chairman engaged extensively with shareholders on the considerations and processes carried out in this regard.

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. During the year, the board approved a board diversity policy, setting out the targets for board composition in terms of gender and race. As at 31 March 2019, we are pleased to report that there was a 25% representation of women on the Investec group board – good progress towards our target of 33% by 2020. There was also an increase in female senior leadership who now represent 35% of total senior leadership. Additionally, the Investec group signed the CEO statement of support for the United Nations Women's Empowerment Principles demonstrating a commitment by executive management to advancing and empowering women, not only in the workplace, but also in the marketplace and our communities.

In terms of transformation, Investec remains committed to black economic empowerment and reporting in terms of the Financial Sector Code where we were rated a level 1 as at the end of the financial year. We were one of the first signatories to the Youth Employment Service (YES) initiative to address the unemployment issue among young people, providing fundamental support for the initial launch in March 2018. In the past year we placed in excess of 1 200 youth with 11 partners. The first cohort have completed their year of work experience and a significant number were able to secure permanent employment.

Operational and conduct risks

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

Non-financial reporting

Stakeholders are increasingly expecting greater non-financial disclosures. This includes disclosure on environmental and social impacts as well as benchmarking against our peers.

The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFDs) has gained more traction as the Prudential Regulation Authority has issued an updated supervisory statement clarifying expectations around climate-related disclosure requirements. We recognise and support the recommendations of the TCFD disclosures to report clear and consistent information and have expanded on our previous disclosure as seen in volume two of the Investec group's 2019 integrated annual report. This is the start of a long-term process to build a better understanding of environmental, social and governance (ESG) reporting and climate-related risks and opportunities and we will enhance our disclosure over time in line with industry guidelines and best practice.

Interest from stakeholders in advancing the Sustainable Development Goals (SDGs) has increased. Investec remains committed to building a more resilient and inclusive world, and finding opportunities within our businesses to maximise our impact. We prioritised six goals that are globally aligned, yet locally relevant to our core geographies and which reflect our current business model and growth strategy. We continue to report on our performance with detail available on our six priority goals and their targets in our corporate sustainability and ESG supplementary report on our website.

Value creation through the six capitals

Human capital

We depend on the experience and proficiency of our people to perform and deliver superior client services.

Purpose and priorities	*Impact*
Providing a safe and healthy work environment that values physical as well as psychosocial well-being	70% of employees in South Africa participated in employee well-being initiatives (2018: 72%)
Investing in our people and growing talent and leadership	Learning and development spend as a % of staff costs is 3.0% (2018: 3.9%) (target of >1.5% for the group) Learning and development spend of R217.7 million (2018: R277.3 million). The decrease is due to the realignment of current programmes to ensure efficiency and relevance 22 CAs graduated from the CA programme in the past year and 17 were retained in our business (2018: 21 of 21 graduates retained)
Retaining and motivating staff through appropriate remuneration and rewards structures	Staff turnover rate in South Africa is 9.6% (2018: 9.2%) 5% of the Investec group's shares are held by staff (excluding non-executive directors' holdings)
Respecting and upholding human rights by entrenching a value-driven culture through the organisation that is supported by strong ethics and integrity	Signed up as a full participant to the United Nations Global Compact and remain committed to the 10 principles on human rights, labour, environment and anti-corruption
Promoting diversity and equality at all levels of the group	55% female employees (2018: 55%) and 25% females on the board (target of at least 33% by 2020) (2018: 20%) Senior female managers increased to 42% (2018: 40%) Compiled a document which is publicly available called *The way we do business* Signed the CEO statement of support for the United Nations Women's Empowerment Principles

Intellectual capital

We use our specialist financial skills and expertise to provide efficient solutions for clients and have a robust risk management process in place.

Purpose and priorities	*Impact*
Maintaining a diversified portfolio of businesses that supports performance through varying economic cycles	Capital light activities contributed 46% to group income (target > 50% of our income from capital light activities) (2018: 48%) Annuity income as a percentage of operating income is 81.1% (2018: 81.4%)
Leveraging our expertise in risk management to protect value	Credit loss ratio within long-term average range at 0.28% (2018: 0.28%)
Ensuring solid and responsible lending and investing activities	Trained a further 43 frontline consultants on environmental, social and governance (ESG) practices in South Africa (2018: 116)

Social and relationship capital

We leverage key stakeholder relationships to enhance our impact on society and the macro-economy.

Purpose and priorities	Impact
Building deep durable relationships with our clients and creating new client relationships	Customer accounts (deposits) up 6.1% (2018: 6.0%) Customer complaints in Private Bank South Africa were down 7.2% to 2 202 complaints (2018: 2 373)
Investing in our distinctive brand and providing a high level of service by being nimble, flexible and innovative	Voted South Africa's eighth most valuable brand in 2019 by Brand Finance South Africa
Unselfishly contributing to society through our community programmes	2.1% community spend as a % of operating profit (2018*: 1.6%) (target of >1% for the group). Community spend of R146.2 million (2018*: R112.6 million) * *Restated to include external learnerships and job creation (YES initiative)*
Committed to transformation and youth employment in South Africa	Currently rated a level 1 under the Financial Sector Code. One of the first signatories to the Youth Employment Service (YES) initiative in South Africa, and placed more than 1 200 youth with 11 partners during the year www ***For more information on our commitment to transformation. Refer to our 2019 corporate sustainability and ESG supplementary report on our website for emission reduction targets.***

Natural capital

We support the transition to a low-carbon economy and believe we can make a meaningful impact in addressing climate change. We look for opportunities to either reduce the negative impact or prolong the life on our planet.

Purpose and priorities	Impact
Funding and participating in renewable energy	81% of our energy lending portfolio relates to clean energy (2018: 72%) Together with UK Climate Investments, we committed R1 billion to a dedicated renewable energy investment vehicle called Revego Africa Energy
Limiting our direct operational carbon impact	Carbon emissions reduced by 1.7% (2018: 6.9%) despite headcount increasing by 3.8% www ***Refer to our 2019 corporate sustainability and ESG supplementary report on our website for emission reduction targets.***
Protecting biodiversity through various conservation activities	Signed up to the United for Wildlife Financial Taskforce which leverages existing global financial crime architecture to combat illegal wildlife trade 5 812 increase in number of children reached through our Coaching for Conservation programme in the past year (17 373 reached since 2013) Investec Rhino Lifeline has supported the rescue of 80 rhino since 2012 (2018:70 rhino) 11 rural villages in South Africa received access to water as a result of our collaboration with the Entrepreneurship Development Trust and Innovation Africa

Technological capital

We deliver efficient and effective information technology to support our businesses and facilitate our digital strategy.

Purpose and priorities	*Impact*
Creating an international platform for clients with global access to products and services which is both high-tech and high-touch	Continually enhancing and evolving our client digital platforms to ensure a seamless, integrated client service experience, now including a dedicated Investec for Intermediaries, and a business banking experience
We are focused on optimising the internal value chain, and improving productivity	Executed on a number of core platform improvements, and a dedicated digital workplace strategy is underway to support this initiative
Partnering with the growing fintech ecosystem	Relationships formed through our Investec Emerging Companies team across the world, and a dedicated fintech partnership team has built a strong pipeline of innovation Partnered with a late-stage technology venture capital fund with a first investment focusing on low-cost 3D imaging sensors enabling cancer detection, people-tracking, vehicle automation and radiation level testing amongst others Through a collaboration with Bankserv Africa and uPort, we revealed a blockchain based identity system Launched Samsung-pay which facilitates secure and convenient mobile payments

(Refer to our digital strategy in the Investec group's 2019 integrated annual report).

Financial capital

We create sustained long-term wealth by growing our core businesses.

(Refer to pages 9 to 13 for our financial highlights).

External recognition and group memberships

Although we are not driven by awards and recognition, Investec participates and has maintained its inclusion in the following world-leading indices. These indices have been designed objectively to measure the performance of companies that meet globally-recognised corporate responsibility standards.

- Voted third most attractive employer by professionals in South Africa in the 2019 Universum awards in the business/commerce sector
- Signatory to the 30% Club in South Africa
- Signed the CEO statement of support for the United Nations Women's Empowerment Principles
- Finalist in the 2018 Refinitiv (formerly Thomson Reuters) Southern Africa Excellence Awards in the Most Impactful Business: Doing Good and Doing Well category
- Operationally, we have a very low carbon footprint compared to our peers and were awarded a B rating by the Carbon Disclosure Project (CDP).

***DANIEL WILD**, PhD, Co-CEO RobecoSAM:*

"We congratulate Investec for achieving a place in The Sustainability Yearbook 2019, a showcase of the world's best performing companies among industry peers and in terms of financially material ESG metrics. Launched this year under the SAM brand and now with increased public access to the percentile rankings of all companies, the Yearbook remains a highly credible source of corporate sustainability insights."

Sustainability indices

	2019	2018	2017
Carbon Disclosure Project (CDP) (Investec is a member and Investec Asset Management is a signatory investor)	B	B	A-
Code for Responsible Investing in South Africa (CRISA)	Signatory	Signatory	Signatory
Dow Jones Sustainability Investment Index* (score out of 100)	64	68**	69
ECPI Index	Constituent	Constituent	n/a
FTSE4Good Index	Included	Included	Included
FTSE/JSE Responsible Investment Index series	Constituent	Constituent	Constituent
MSCI Global Sustainability Index Series (Investec plc) – Intangible value assessment (IVA) rating	AAA	AAA	AAA
STOXX Global ESG Leaders Indices	Member	Member	Member
United Nations Global Compact	Participant	Participant	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory

* *Investec Limited ranked as one of four industry leaders on the DJSI Emerging Markets Index.*
** *As of 2018, results reflect a major scoring methodology update.*

For detailed information download our 2019 corporate sustainability and ESG supplementary report from our website.

Annexure 1: Summary employment equity progress report at 31 March 2019

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	3		2	13
Senior management	89	47	97	770
Professionally qualified and experienced specialist and mid-management	282	84	139	327
Skilled, academic, junior management, supervisors, foremen and superintendents	147	35	43	70
Semi-skilled and discretionary decision-making	199	32	18	17
Total	**720**	**198**	**299**	**1 197**

	Female				
	African	Coloured	Indian	White/ Foreign	Total
Top management			1	5	24
Senior management	79	37	100	509	1 728
Professionally qualified and experienced specialist and mid-management	443	191	245	580	2 291
Skilled, academic, junior management, supervisors, foremen and superintendents	151	67	68	76	657
Semi-skilled and discretionary decision-making	202	47	33	36	584
Total	**875**	**342**	**447**	**1 206**	**5 284**

* *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 2018

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	11 983	27 817 423 389
Approved	9 798	22 728 725 432
Declined	100	267 466 792
Disbursed/paid out	6 253	15 223 497 388

Race groups

	African		Coloured	
Analysis by race group	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	2 168	3 901 981 398	503	922 230 250
Approved	1 675	2 919 485 618	429	815 246 578
Declined	38	82 338 526	2	3 560 200
Disbursed/paid out	972	1 647 517 228	255	483 919 303

Annexure 2: Home loan mortgage disclosure at 31 December 2018 *(continued)*

Race groups *(continued)*

	Indian		White		Other	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	1 028	2 192 509 102	5 835	14 289 478 283	71	158 961 891
Approved	831	1 741 413 019	4 871	11 899 658 218	50	112 652 337
Declined	10	23 453 751	37	92 189 673	1	2 505 750
Disbursed/paid out	437	876 405 434	2 881	6 896 652 475	28	57 452 692

Province

	Eastern Cape		Free State	
Analysis by region	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	446	926 166 277	187	341 310 429
Approved	387	771 242 190	147	259 468 942
Declined	2	5 800 000	–	–
Disbursed/paid out	244	470 879 072	101	179 619 834

	Gauteng		KwaZulu-Natal		Limpopo	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	6 182	13 771 780 990	985	2 291 246 660	115	177 996 476
Approved	4 948	10 994 105 718	790	1 882 789 554	95	146 608 905
Declined	85	216 594 475	6	12 241 148	1	1 405 000
Disbursed/paid out	3 153	7 225 313 067	604	1 596 618 113	72	99 464 594

	Mpumalanga		North West	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	224	387 266 700	121	229 428 312
Approved	182	313 360 064	98	180 098 619
Declined	1	2 405 750	1	9 005 750
Disbursed/paid out	92	168 794 500	50	85 897 829

	Northern Cape		Western Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	45	66 862 457	3 678	9 625 365 089
Approved	39	59 244 321	3 112	8 121 807 119
Declined	–	–	4	20 014 670
Disbursed/paid out	24	37 610 469	1 913	5 359 299 910

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ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The financial statements and the group financial statements of Investec Limited, as set out on pages 169 to 267, 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 156 to 157 and pages 169 to 267 were approved by the board of directors on 14 June 2019.

Fani Titi
Joint group chief executive officer

Hendrik du Toit
Joint 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 2019, 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

14 June 2019

Extended business review

Investec Limited is a part of an international specialist bank and asset 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, Asset Management, Wealth & Investment and Specialist Banking.

The operating financial review on pages 19 to 24 provides an overview of our strategic position, performance during the financial year and outlook for the business.

Authorised and issued share capital

Investec Limited

During the year, the following shares were issued:

- 10 609 172 special convertible redeemable preference shares of R0.0002 each on 22 June 2018 at par
- 8 181 065 ordinary shares on 22 June 2018 at R92.55 per share (R0.0002 par and premium of R92.5498 per share)
- 603 645 special convertible redeemable preference shares of R0.0002 each on 26 September 2018 at par
- 1 069 699 special convertible redeemable preference shares of R0.0002 each on 28 November 2018 at par.

On 22 October 2018, the partial redemption of 21 293 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share). On 25 March 2019, the early redemption of a further 191 642 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2018. At 31 March 2019, Investec Limited held 29 686 599 shares in treasury (2018: 27 013 057). 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 2019. The preparation of these combined results was supervised by the group finance director, Nishlan Samujh.

Ordinary dividends

An interim dividend of 206 cents per ordinary share (2017: 200 cents) was declared to shareholders registered on 8 December 2018 and was paid on 19 December 2018.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2019 of 251 cents (2018: 232 cents) per ordinary share. The final dividend will be payable on Monday, 12 August 2019 to shareholders on the register at the close of business on Friday, 26 July 2019. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 8 August 2018.

Preference dividends

Investec Limited

Non-redeemable, non-cumulative, non-participating preference share

Preference dividend number 28 for the period 1 April 2018 to 30 September 2018, amounting to 389.91534 cents per share, was declared to shareholders holding preference shares registered on 14 December 2018 and was paid on 18 December 2018.

Preference dividend number 29 for the period 1 October 2018 to 31 March 2019, amounting to 394.65612 cents per share, was declared to shareholders holding preference shares registered on 7 June 2019 and will be paid on 18 June 2019.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 13 for the period 1 April 2018 to 30 June 2018, amounting to 1396.169167 cents per share, was declared to shareholders holding preference shares on 20 July 2018 and was paid on 23 July 2018.

Preference dividend number 14 for the period 1 July 2018 to 30 September 2018, amounting to 1406.98499 cents per share, was declared to shareholders holding preference shares on 19 October 2018 and was paid on 22 October 2018.

Preference dividend number 15 for the period 1 October 2018 to 31 December 2018, amounting to 1421.58383 cents per share, was declared to shareholders holding preference shares on 18 January 2019 and was paid on 21 January 2019.

Final Preference dividend after redemption for the period 1 January 2019 to 31 March 2019, amounting to 1300.41450 cents per share, was declared to shareholders holding preference shares on 22 March 2019 and was paid on 25 March 2019.

Redeemable cumulative preference shares

Dividends amounting to R22 462 936 (2018: R22 987 563) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretary of Investec Limited are reflected on page 98 to 103 and 109.

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.

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 2019 integrated annual report.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 94 to 139.

Share incentives

Details regarding options granted during the year are set out in the Investec group's 2019 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 122 to 130.

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 8 August 2019.

Contracts

Refer to Investec's 2019 integrated annual report.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on page 233 to 234.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 140.

Special resolutions

Investec Limited

At the annual general meeting held on 8 August 2018, 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 and any of its subsidiaries to acquire its own Class ILRP2 redeemable, non-participating preference shares, any other redeemable, non-participating preference shares and non-redeemable, non-cumulative, non-participating preference 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 177 to 186.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 25 to 90.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 182 to 183 and in note 54.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate, the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided in Investec group's 2019 integrated annual report.

Political donations and expenditure

Neither Investec Limited nor its subsidiaries, made political donations during the 2019 financial year (2018: Rnil).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information is set out in Investec group's 2019 integrated annual report.

Going concern

Refer to page 154 for the directors statement in relation to going concern.

Post 2019 Financial year events

As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management business. The demerger and the listing of Investec Asset Manager is subject to regulatory and shareholder approvals, and is expected to be completed during the second half of the calendar year.

Research and development

In the ordinary course of business, Investec develops new products and services in each of its business divisions.

Risk management policies

The group's policies for managing the financial risk to which it is exposed and exposure to price, credit, liquidity and cash flow risk are set out in the risk management section on pages 25 to 90.

The board considers that this integrated annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the board of Investec Limited

PKO Crosthwaite.		
Perry Crosthwaite	**Fani Titi**	**Hendrik du Toit**
Chairman	Joint group chief executive officer	Joint group chief executive officer

14 June 2019

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Investec Limited (the group), which comprise the balance sheet at 31 March 2019, 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 169 to 267 and the specified disclosures within the risk management and corporate governance report that are marked as audited.

In our opinion the consolidated financial statements have been 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, and other independence requirements applicable to performing audits of group financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of group financial statements in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). 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 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 judgment, 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.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses	
Refer to the Accounting policies (page 185); and Note 27 of the group Financial Statements (page 224) On 1 April 2018 the group adopted IFRS 9 'Financial Instruments' which replaced IAS 39 and which requires impairment losses to be evaluated on an expected credit loss (ECL) basis as opposed to an incurred loss methodology under IAS 39. The determination of the allowance for expected credit losses (ECL) is material and requires significant judgment and assumptions by management. We have identified the audit of ECL impairment allowances to be a key audit matter.	As IFRS 9 was adopted on 1 April 2018 we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. We also performed audit procedures on the closing balance as at 31 March 2019 and the movement in ECL over the period.
The key areas of significant judgement and assumptions by management within the ECL calculations include:	To address the significant judgments and estimates we focused on the following key procedures:
Assessment of SICR The group is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. The assessment of what constitutes a significant increase in credit risk (SICR) applied by management involves judgement and assumptions. SICR has been established to apply both qualitative and quantitative measures. We focused on the completeness of assets recognised in stages 2 and 3, including the triggers for an asset requiring a move between stages.	**Assessment of SICR** We tested the design and operating effectiveness of key controls focusing on the following: • Assessment and approval of the movement of exposures between the various impairment stages, and the monitoring of asset levels in each stage (including performing peer benchmarking); • Approval of qualitative and quantitative staging criteria; • Assessment and governance of manual overrides to staging outcomes; and • Data quality. We also tested a sample of assets in stages 1, 2 and 3 to verify they were included in the appropriate stage based on the criteria established by the group.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses *(continued)*	
Assessment of estimation of EAD, PD and LGD within the ECL calculation including macro-economic inputs and forward looking information	
ECL is determined using sophisticated modelling techniques, which take into account 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). Further judgement is required in incorporating macro-economic inputs and forward-looking information into the ECL models and in determining the ECL stage allocation.	We tested the design and operating effectiveness of key controls focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9 and obtained audit evidence that the appropriate interpretations were reflected in the models. We involved our modelling specialists to test assumptions and calculations used in the ECL. This included performing an assessment of: • Estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • The model design documentation; • The appropriateness of the methodology considering alternative techniques; and • The code to verify it was consistent with the design documentation. We also tested a sample of the historical and reporting date data used in the models by tracing it back through to the origination systems. **Macro-economic inputs and forward looking information** We tested the design and operating effectiveness of key controls focusing on 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. We involved our economic specialists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. In performing this assessment, we considered economic forecasts from a variety of external sources. We involved our modelling specialists to assess the correlation of the macroeconomic factors forecasted to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses *(continued)*	
Evaluation of ECL measurement for Stage 3 individually determined impairment exposures	**ECL measurement for Stage 3 specific 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 and determining the expected timing and amount of future cash flows. At year end the group reported total gross core loans and advances of R264 182 million (2018: R250 500 million); expected credit losses (impairment allowance) of R2 691 million (2018: R1 428 million); and credit losses of R761 million (2018: R729 million). Due to the significant judgement applied, this is a Key Audit Matter.	We tested the design and operating effectiveness of key controls focusing on the following: • The processes and controls to calculate the allowance, including timing of collateral valuations, work out strategies, annual credit reviews (where work out strategies require additional funding to execute we have obtained evidence of the approval for such funding through the bank's risk management governance process as well as assessing the track record of management approving the utilisation of the additional funding); • Estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; and • Approval of final allowance amount. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists where appropriate. Our sample considered high risk sectors including marine, mining and property exposure. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the alternative scenarios being considered and the probability weights assigned. We assessed the reasonableness of the discount rate used and re-performed the discounted cash flow calculations. We compared our measurement outcome to that prepared by management and investigated any differences that arose. **Disclosures** Our testing focused on: • Financial statement close process used to record the ECL journal entries; • IT controls over the completeness and accuracy of the ECL; • Agreeing disclosures back to source systems tested; • Reconciliations between finance and risk systems; and • Design and approval of the disclosures to meet IFRS requirements, including the transition from IAS 39.

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 Accounting policies (page 185); and Note 15 and Note 33 of the group Financial Statements (page 208 and 230, respectively). There are R290 008 million (2018: R138 853 million) of financial assets and R18 425 million (2018: R19 439 million) in investment properties that are required to be fair valued under the IFRS accounting framework. 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 necessarily a large degree of subjectivity surrounding the inputs to their valuations. With lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental. This may result in subjective fair value movements which are material. Significant judgment 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. At the year end the group reported level 3 assets of R7 557 million (2018: R2 857 million) and level 3 liabilities of R68 million (2018: Rnil). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgments, are the Southern Africa mining assets, including related lending activities. Due to the significant judgement applied, this is a Key Audit Matter.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. As part of this testing we engaged our valuation specialists. 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 relevant knowledge and experience of the market. In relation to the Southern Africa mining assets additional procedures were performed over and above those noted above including: • Performed a site visit to inspect key assets and met with key management and/or Board members of the investee; • Engaged our business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this they also considered alternative inputs and assumptions; sensitivity analysis was performed on the most material inputs; • We challenged management on their updated valuation models and their responsiveness to what they considered to be the range of reasonable likely outcomes; and • Obtained audit evidence via external legal confirmations or discussions with external counsel in order to assess the enforceability of collateral held.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
IT systems and controls impacting financial reporting	
The group audit relies significantly on automated and IT dependent manual controls. Control deficiencies in the IT control environment could result in the financial accounting and reporting records being materially misstated. Due to the significant audit effort spent on the audit of these systems, with particular focus on access management controls, as it is critical for the control environment of the group this has been raised as a Key Audit Matter.	We have: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Evaluated user access and segregation of duties and relevant application controls within business processes. This included testing the reliability and continuity of the IT systems, the integrity of system interfaces, the completeness and accuracy of data feeds, automated calculations and specific input controls. • Tested the operating effectiveness of key automated controls for in scope business processes, including automated calculations; • For identified deficiencies, tested the design and operating effectiveness of compensating controls and, where necessary, extended the scope of our substantive audit procedures; and • Tested key system migrations during the year including transferring positions between front office trading systems.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Accounting for the proposed demerger of Investec Asset Management	
Refer to the Accounting policies (page 185) of the group Financial Statements. In September 2018, the directors announced that it is their intention to demerge the Investec Asset Management business within twelve months of the announcement. The proposed demerger should be assessed if it should be classified as an investment held for distribution in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The application of IFRS 5, is inherently subjective, in particular determining whether the completion of the demerger is highly probable specifically considering the outstanding regulatory and shareholders' approval as at 31 March 2019. Management has concluded that this threshold has not yet been met at the reporting date. Due to the judgemental nature in the accounting treatment, this has been raised as a Key Audit Matter.	We have reviewed management's accounting papers setting out their rationale for the conclusions reached in assessing the accounting treatment. As part of this we considered the impact on management's assessment of the following items on whether the transaction should be considered 'highly probable': • The timing for the proposed demerger; • Presentations made to institutional investors at Capital Markets days and other announcements, including the information available to institutional investors as at the balance sheet date; • Board Committee Meeting minutes; • The demerger committee minutes; • The 75% shareholder approval hurdle required for Investec plc and the 50% shareholder approval hurdle required for Investec Ltd in accordance with the respective Companies Act requirements. In the absence of this approval, the transaction cannot commence; • Regulatory approvals required for the transaction; and • Whether Investec Asset Management was available for immediate distribution in its current form. To challenge and corroborate the above we have enquired of senior management, non executive directors and key Board committees on the assessment made to test whether any contrary evidence exists. We have also evaluated the appropriateness of the disclosure in relation to the demerger, in terms of the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS 10 Events After the Reporting Period.

Other matter

The group has separately prepared a combined consolidated set of financial statements for the year ended 31 March 2019 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 13 June 2019.

Other information

The directors are responsible for the other information. The other information comprises all information included in the Annual Report. Other information does not include the group financial statements 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 determines 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 intends to liquidate the group or to cease operations, or has 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.
- 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 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 auditor's 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.
- 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 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, and subsequent guidance, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Limited for 44 and 25 years respectively.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director

14 June 2019

KPMG Inc

KPMG Inc.
Registered Auditor

Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

14 June 2019

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 2019, 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 169 to 267 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 as at 31 March 2019, and its financial performance and 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 Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). 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. Other information does not include the separate financial statements and our auditor's 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 44 and 25 years respectively.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director

14 June 2019

KPMG Inc

KPMG Inc.
Registered Auditor

Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

14 June 2019

		Group		Company	
For the year to 31 March **R'million**	Notes	**2019**	2018	**2019**	2018
Interest income	2	34 099	32 509	163	119
Interest income calculated using effective interest rate		31 982	^	163	^
Other interest income		2 117	^	–	^
Interest expense	2	(26 229)	(25 240)	(180)	(124)
Net interest income/(expense)		**7 870**	**7 269**	**(17)**	**(5)**
Fee and commission income	3	9 346	9 245	–	–
Fee and commission expense	3	(606)	(459)	–	–
Investment income	4	240	1 000	2 151	2 484
Share of post taxation profit of associates	29	1 163	777	–	–
Trading income/(loss) arising from					
– customer flow		613	414	–	–
– balance sheet management and other trading activities		419	(41)	(5)	–
Other operating income	5	41	12	–	–
Total operating income before expected credit losses/ impairment losses		**19 086**	**18 217**	**2 129**	**2 479**
Expected credit loss impairment charges*	6	(761)	–	–	–
Impairment losses on loans and advances*	6	–	(729)	–	–
Operating income		**18 325**	**17 488**	**2 129**	**2 479**
Operating costs	7	(10 188)	(9 619)	(100)	(65)
Operating profit before goodwill and acquired intangibles		**8 137**	**7 869**	**2 029**	**2 414**
Impairment of goodwill	34	(3)	–	–	–
Amortisation of acquired intangibles	35	(51)	(51)	–	–
Operating profit		**8 083**	**7 818**	**2 029**	**2 414**
Financial impact of group restructures and acquisition of subsidiaries	7/36	(9)	(100)	–	–
Gain on partial disposal of subsidiary		–	–	357	119
Profit before taxation		**8 074**	**7 718**	**2 386**	**2 533**
Taxation on operating profit before goodwill and acquired intangibles	9	(694)	(367)	(30)	94
Taxation on acquired intangibles	9	18	14	–	–
Profit after taxation		**7 398**	**7 365**	**2 356**	**2 627**
Profit attributable to Asset Management non-controlling interests		(176)	(156)	–	–
Profit attributable to other non-controlling interests		(1 049)	(907)	–	–
Earnings attributable to shareholders		**6 173**	**6 302**	**2 356**	**2 627**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

^ *As permitted by IFRS 9, the group has elected not to restate comparative annual financial statements.*

STATEMENTS OF TOTAL COMPREHENSIVE INCOME

		Group		Company	
For the year to 31 March **R'million**	Notes	**2019**	2018	**2019**	2018
Profit after taxation		7 398	7 365	2 356	2 627
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*	9	62	(93)	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	9	(201)	–	–	–
Gain on realisation of debt instruments at FVOCI recycled to the income statement*	9	(89)	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	9	–	245	–	41
Gain on realisation of available-for-sale assets recycled to the income statement*	9	–	(94)	–	–
Foreign currency adjustments on translating foreign operations		959	(648)	–	–
Items that may not be reclassified to the income statement					
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*		–	–	(51)	–
Net gain attributable to own credit risk		1	–	–	–
Total comprehensive income		**8 130**	**6 775**	**2 305**	**2 668**
Total comprehensive income attributable to ordinary shareholders		6 416	5 254	1 946	2 345
Total comprehensive income attributable to non-controlling interests		1 225	1 063	–	–
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		489	458	359	323
Total comprehensive income		**8 130**	**6 775**	**2 305**	**2 668**

* *On adoption of IFRS 9 on 1 April, the fair value reserve was introduced, replacing the available-for-sale reserve.*

		Group		
At **R'million**	Notes	**31 March 2019**	1 April 2018*	31 March 2018*
Assets				
Cash and balances at central banks	18	10 290	9 180	9 187
Loans and advances to banks	19	22 125	19 617	19 620
Non-sovereign and non-bank cash placements		12 192	9 972	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	20	21 346	24 217	24 217
Sovereign debt securities	21	60 893	62 363	62 403
Bank debt securities	22	12 502	7 947	7 965
Other debt securities	23	13 580	10 405	10 390
Derivative financial instruments	24	7 736	12 541	12 563
Securities arising from trading activities	25	20 079	12 289	12 289
Investment portfolio	26	10 070	8 110	6 928
Loans and advances to customers	27	263 537	246 760	249 072
Own originated loans and advances to customers securitised	28	7 667	7 625	7 630
Other loans and advances	27	329	265	265
Other securitised assets	28	294	299	299
Interests in associated undertakings	29	6 284	6 495	6 495
Deferred taxation assets	30	1 890	1 331	983
Other assets	31	14 281	13 292	13 305
Property and equipment	32	3 043	2 973	2 973
Investment properties	33	18 425	19 439	19 439
Goodwill	34	211	211	211
Intangible assets	35	418	412	412
		507 192	**475 743**	**476 639**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	38	154 477	141 071	141 071
		661 669	**616 814**	**617 710**
Liabilities				
Deposits by banks		31 735	27 793	27 793
Derivative financial instruments	24	11 111	15 907	15 907
Other trading liabilities	39	11 132	14 238	14 238
Repurchase agreements and cash collateral on securities lent	20	15 234	8 395	8 395
Customer accounts (deposits)		341 578	321 791	321 823
Debt securities in issue	40	12 328	6 885	6 885
Liabilities arising on securitisation of own originated loans and advances	28	1 720	2 274	2 274
Current taxation liabilities		574	551	551
Deferred taxation liabilities	30	54	171	171
Other liabilities	41	10 254	12 340	12 310
		435 720	**410 345**	**410 347**
Liabilities to customers under investment contracts	38	154 422	141 013	141 013
Insurance liabilities, including unit-linked liabilities	38	55	58	58
		590 197	**551 416**	**551 418**
Subordinated liabilities	42	15 857	15 013	15 013
		606 054	**566 429**	**566 431**
Equity				
Ordinary share capital	43	1	1	1
Share premium	45	13 576	12 820	12 820
Treasury shares	46	(1 881)	(1 552)	(1 552)
Other reserves		2 055	1 185	1 125
Retained income		29 398	25 994	26 948
Shareholders' equity excluding non-controlling interests		**43 149**	**38 448**	**39 342**
Other Additional Tier 1 securities in issue	47	1 010	900	900
Non-controlling interests	48	11 456	11 037	11 037
– Perpetual preferred securities issued by subsidiaries		1 534	1 534	1 534
– Non controlling interests in partially held subsidiaries		9 922	9 503	9 503
Total equity		**55 615**	**50 385**	**51 279**
Total liabilities and equity		**661 669**	**616 814**	**617 710**

* *The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparative as at 31 March 2018 on an IAS 39 basis.*

		Company		
At **R'million**	Notes	**31 March 2019**	1 April 2018*	31 March 2018*
Assets				
Loans and advances to banks	19	18	93	93
Bank debt securities	22	350	350	350
Investment portfolio	26	309	367	367
Other assets	31	35	40	40
Investment in subsidiaries	37	16 997	16 698	16 698
		17 709	**17 548**	**17 548**
Liabilities				
Debt securities in issue	40	319	532	532
Current taxation liabilities		10	43	43
Other liabilities	41	865	554	554
		1 194	**1 129**	**1 129**
Subordinated liabilities	42	1 939	1 638	1 638
		3 133	**2 767**	**2 767**
Equity				
Ordinary share capital	43	1	1	1
Share premium	45	13 627	12 870	12 870
Other reserves		52	103	103
Retained income		(4)	907	907
Shareholders' equity excluding non-controlling interests		**13 676**	**13 881**	**13 881**
Other Additional Tier 1 securities in issue	47	900	900	900
Total equity		**14 576**	**14 781**	**14 781**
Total liabilities and equity		**17 709**	**17 548**	**17 548**

* *The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparative as at 31 March 2018 on an IAS 39 basis. There was no IFRS 9 impact on the 1 April 2018 company balance sheet.*

CASH FLOW STATEMENTS

		Group		Company	
For the year to 31 March R'million	Notes	**2019**	2018	**2019**	2018
Profit before taxation adjusted for non-cash and non-operating items	50	9 301	8 259	2 029	2 414
Taxation paid		(941)	(1 720)	(63)	(7)
(Increase)/decrease in operating assets	50	(36 649)	(34 112)	12	(716)
Increase/(decrease) in operating liabilities	50	38 269	25 809	98	127
Net cash (outflow)/inflow from operating activities		**9 980**	**(1 764)**	**2 076**	**1 818**
Cash flow on net increase in associates		(15)	(189)	–	–
Cash flow on acquisition of property, equipment and intangible assets		(2 704)	(216)	–	–
Cash flow on disposal of property, equipment and intangible assets		77	22	–	–
Proceeds from partial disposal of subsidiary		–	188	357	119
Cash flow on investment in subsidiary	36	–	(100)	(500)	–
Net decrease/(increase) in loans to group companies		–	–	(38)	(1 670)
Net cash outflow from investing activities		**(2 642)**	**(295)**	**(181)**	**(1 551)**
Dividends paid to ordinary shareholders		(2 328)	(2 111)	(2 368)	(2 176)
Dividends paid to other equity holders		(1 426)	(1 300)	(359)	(323)
Proceeds on issue of shares, net of related costs		756	925	757	925
Sales of shares to non-controlling interests		359	–	–	–
Cash flow on net acquisition of treasury shares, net of related costs		(1 119)	(985)	–	–
Issue of shares to non-controlling interests		81	210	–	–
Proceeds from subordinated debt raised	42	849	3 287	–	–
Repayment of subordinated debt	42	(1 210)	(2 205)	–	1 013
Proceeds on issue of Other Additional Tier 1 securities in issue	47	110	350	–	350
Net cash outflow from financing activities		**(3 928)**	**(1 829)**	**(1 970)**	**(211)**
Effects of exchange rates on cash and cash equivalents		**1 188**	**(866)**	**–**	**–**
Net (decrease)/increase in cash and cash equivalents		**4 598**	**(4 754)**	**(75)**	**56**
Cash and cash equivalents at the beginning of the year		28 360	33 114	93	37
Cash and cash equivalents at the end of the year		**32 958**	**28 360**	**18**	**93**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		10 290	9 187	–	–
On demand loans and advances to banks		10 451	9 180	18	93
Non-sovereign and non-bank cash placements		12 192	9 993	–	–
ECL on above items		25	–	–	–
Cash and cash equivalents at the end of the year		**32 958**	**28 360**	**18**	**93**

Cash and cash equivalents have a maturity profile of less than three months.

R'million	Ordinary share capital	Share premium	Treasury shares
Group			
At 1 April 2017	**1**	**11 895**	**(1 189)**
Movement in reserves 1 April 2017 – 31 March 2018			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Issue of ordinary shares	–	925	–
Issue of other Additional Tier 1 security instruments	–	–	–
Movement of treasury shares	–	–	(985)
Share-based payments adjustments	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	622
Transfer from regulatory general risk reserves	–	–	–
Partial 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	–	–	–
At 31 March 2018	**1**	**12 820**	**(1 552)**
Adoption of IFRS 9	–	–	–
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 financial 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	–	–	–
Net 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	–	–	–
Issue of equity by subsidiaries	–	–	–
Partial disposal of group operations	–	–	–
Transfer from retained income to non controlling interest	–	–	–
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 31 March 2019	**1**	**13 576**	**(1 881)**

* *On adoption of IFRS 9 on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

Capital reserve account	Available-for-sale/ 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**
	Other reserves									
61	**193**	**660**	**(900)**	**–**	**1 734**	**23 045**	**35 500**	**550**	**10 521**	**46 571**
				–						
–	–	–	–	–	–	6 302	6 302	–	1 063	7 365
–	–	–	(93)	–	–	–	(93)	–	–	(93)
–	245	–	–	–	–	–	245	–	–	245
–	(94)	–	–	–	–	–	(94)	–	–	(94)
–	–	–	–	–	(648)	–	(648)	–	–	(648)
–	**151**	**–**	**(93)**	**–**	**(648)**	**6 302**	**5 712**	**–**	**1 063**	**6 775**
–	–	–	–	–	–	–	925	–	–	925
–	–	–	–	–	–	–	–	350	–	350
–	–	–	–	–	–	–	(985)	–	–	(985)
–	–	–	–	–	–	656	656	–	–	656
–	–	–	–	–	–	(622)	–	–	–	–
–	–	(33)	–	–	–	33	–	–	–	–
–	–	–	–	–	–	103	103	–	85	188
–	–	–	–	–	–	–	–	–	210	210
–	–	–	–	–	–	(458)	(458)	63	133	(262)
–	–	–	–	–	–	–	–	(63)	(133)	(196)
–	–	–	–	–	–	(2 111)	(2 111)	–	–	(2 111)
–	–	–	–	–	–	–	–	–	(842)	(842)
61	**344**	**627**	**(993)**	**–**	**1 086**	**26 948**	**39 342**	**900**	**11 037**	**51 279**
–	36	–	–	24	–	(954)	(894)	–	–	(894)
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)
–	–	–	–	–	–	–	–		81	81
–	–	–	–	–	–	320	320	–	39	359
–	–	–	–	–		(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**

R'million	Ordinary share capital	Share premium	Capital reserve account (Other reserves)	Available-sale-sale reserve/ Fair value reserve* (Other reserves)	Retained income	Other Additional Tier 1 securities in issue	Total equity
Company							
At 31 March 2017	**1**	**11 945**	**62**	**–**	**1 691**	**550**	**14 249**
Movement in reserves 1 April 2017 – 31 March 2018							
Profit after taxation	–	–	–	–	2 627	–	2 627
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	41	–	–	41
Total comprehensive income	**–**	**–**	**–**	**41**	**2 627**	**–**	**2 668**
Share-based payments adjustments	–	–	–	–	(912)	–	(912)
Dividends paid to ordinary shareholders	–	–	–	–	(2 176)	–	(2 176)
Dividends declared to perpetual preference shareholders including Other Additional Tier 1 security holders	–	–	–	–	(323)	63	(260)
Dividend paid to Additional Tier 1 security holders	–	–	–	–	–	(63)	(63)
Issue of ordinary shares	–	925	–	–	–	–	925
Issue of Other Additional Tier 1 security instruments	–	–	–	–	–	350	350
At 31 March 2018	**1**	**12 870**	**62**	**41**	**907**	**900**	**14 781**
Adoption of IFRS 9	–	–	–	–	–	–	–
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	**–**	**–**	**–**	**(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 31 March 2019	**1**	**13 627**	**62**	**(10)**	**(4)**	**900**	**14 576**

* *On adoption of IFRS 9 on 1 April 2018, the fair value reserve was introduced, replacing the available-for-sale reserve.*

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 14 June 2019.

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.

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.

On 1 April 2018 the group adopted IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model as opposed to an incurred loss methodology under IAS 39. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the group has exercised.

Disclosure related to the initial application and the impact of the transition from IAS 39 to IFRS 9 were included in the group's transition disclosures published on 15 June 2018 which can be accessed via the Investec website at www.investec.com.

The accounting policies related to financial instruments has significantly changed and the disclosure of the impact of IFRS 9 is included in note 57.

Additionally, on 1 April 2018 the group adopted IFRS 15 Revenue from Contracts with Customers which replaced IAS 18 Revenue. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The group's measurement and recognition principles were aligned to the new standard and hence there has been no material impact on measurement and recognition principles or on disclosure requirements from the adoption of IFRS 15.

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 26 to 90.

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 2019 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. 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. Interests in associated undertakings 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, the consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings 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.

The consolidated balance sheet reflects the associated undertakings 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 include 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, 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 4 to 6.

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 7.

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.

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 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.

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 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.

Refer to note 58 for accounting policies on the financial instruments for the prior year.

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

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*

* *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 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.

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.

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, 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.

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.

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 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will be required to recognise a lease liability measured at the present value of remaining cash flows 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. Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. As permitted by the standard the group will apply IFRS 16 on a modified retrospective basis without restating prior years. The group has elected to take advantage of the following transition options on transition at 1 April 2019:

- apply IFRS 16 to contracts previously identified as leases by IAS 17
- calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments
- use the incremental borrowing rate as the discount rate for property leases
- not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- rely 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 crated on 1 April 2019. Where this is the case the carrying amount of the assets will be adjusted by the onerous lease provision.

The expected impact of adopting IFRS 16 is an increase in right of use right assets of R197 million, an increase in lease liabilities of R239 million.

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 2021, 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.

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:

- 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 25 with further risk analysis contained in the risk management section on pages 55 and 56.

- 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 judgments 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 and results of the group's assessment of ECLs can be found on pages 32 to 37. Refer to pages 47 to 54 of the risk management section for further analysis on impairments.

- Valuation of investment properties is performed twice annually by directors who are qualified valuators. 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;

Refer to note 33 for the carrying value of investment property with further analysis contained in the risk management section on pages 55 and 56.

- 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. The carrying amount of this provision is often dependent on the timetable and progress of discussions and negotiations with the relevant tax authorities, arbitration processes and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group. The nature of any assumptions made, when calculating carrying amounts relating to any estimated tax which could be payable as a result of decisions by tax authorities in respect of any such transactions and events whose treatment for tax purposes is uncertain.

  In making any estimates, management's judgement would be based on various factors, including any such transactions and events whose treatment for tax purposes is uncertain. 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;
  – any changes to the relevant tax environments; and

  Where appropriate the group has utilised expert external advice as well as experience of similar situations elsewhere in making any such provisions

- The group's planned demerger of Investec Asset Management from the Investec group means that the consideration of the demerger and any related required disclosures is a significant judgement for the current year. The main consideration is whether the demerger of Investec Asset Management should lead to the Investec Asset Management business being classified as a disposal group and discontinued operation.

  The group has considered the requirements of IFRS 5 Non-current assets held for Sale and Discontinued Operations, where the key tests for this classification are that a business must be available for immediate sale in its present condition and that the transaction should be highly probable.

  The group considers that the former test is met as the Investec Asset Management business functions in a relatively stand-alone way with only those shared services which would be normal in a demerger requiring separation. However, given that the transaction is subject to both regulatory and shareholder approval and that at this stage, there is not sufficient certainty of the outcome of these approval processes as at 31 March 2019 [nor as at the date of this report] we are unable to conclude that this transaction is highly probable. The group's conclusion is therefore the demerger cannot be classified as a disposal group and discontinued operation.

- 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.

For the year to 31 March R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Consolidated segmental analysis					
Group					
2019					
Segmental business analysis – income statement					
Net interest income	92	91	7 687	–	7 870
Net fee and commission income	3 226	1 427	4 087	–	8 740
Investment income	–	5	235	–	240
Share of post taxation profit of associates	–	–	1 163	–	1 163
Trading income/(loss) arising from					
– customer flow	–	1	612	–	613
– balance sheet management and other trading activities	(1)	1	419	–	419
Other operating income	30	–	11	–	41
Total operating income before expected credit loss impairment charges	**3 347**	**1 525**	**14 214**	**–**	**19 086**
Expected credit loss impairment charges	–	–	(761)	–	(761)
Operating income	**3 347**	**1 525**	**13 453**	**–**	**18 325**
Operating costs	(2 052)	(1 052)	(6 817)	(267)	(10 188)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**1 295**	**473**	**6 636**	**(267)**	**8 137**
Profit attributable to other non-controlling interests	–	–	(1 049)	–	(1 049)
Operating profit before goodwill, acquired intangibles and after other non-controlling	**1 295**	**473**	**5 587**	**(267)**	**7 088**
Profit attributable to Asset Management non-controlling interests	(176)	–	–	–	(176)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**1 119**	**473**	**5 587**	**(267)**	**6 912**
Cost to income ratio*	61.3%	69.0%	51.8%	n/a	56.5%
Total assets (R'million)	156 305	9 577	495 787	–	661 669
2018					
Segmental business analysis – income statement					
Net interest income	90	95	7 084	–	7 269
Net fee and commission income	3 128	1 472	4 186	–	8 786
Investment income	1	2	997	–	1 000
Share of post taxation profit of associates	–	–	777	–	777
Trading income/(loss) arising from					
– customer flow	–	(9)	423	–	414
– balance sheet management and other trading activities	2	(3)	(40)	–	(41)
Other operating income	1	–	11	–	12
Total operating income before impairment on loans and advances	**3 222**	**1 557**	**13 438**	**–**	**18 217**
Impairment losses on loans and advances	–	–	(729)	–	(729)
Operating income	**3 222**	**1 557**	**12 709**	**–**	**17 488**
Operating costs	(1 947)	(1 054)	(6 345)	(273)	(9 619)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**1 275**	**503**	**6 364**	**(273)**	**7 869**
Profit attributable to other non-controlling interests	–	–	(907)	–	(907)
Operating profit before goodwill, acquired intangibles and after other non-controlling	**1 275**	**503**	**5 457**	**(273)**	**6 962**
Profit attributable to Asset Management non-controlling interests	(156)	–	–	–	(156)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**1 119**	**503**	**5 457**	**(273)**	**6 806**
Cost to income ratio*	60.4%	67.7%	50.6%	n/a	55.6%
Total assets (R'million)	142 856	15 183	459 671	–	617 710

* *The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. Refer to definitions page.*

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/(expense)

For the year to 31 March R'million	Notes	Group 2019 Balance sheet value	Group 2019 Interest income	Group 2018 Balance sheet value	Group 2018 Interest income	Company 2019 Balance sheet value	Company 2019 Interest income	Company 2018 Balance sheet value	Company 2018 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	139 348	7 700	133 385	7 315	368	50	443	16
Core loans and advances	2	271 204	24 542	256 702	23 489	–	–	–	–
Private client		184 933	16 985	173 299	15 741	–	–	–	–
Corporate, institutional and other clients		86 271	7 557	83 403	7 748	–	–	–	–
Other debt securities and other loans and advances		13 909	883	10 655	753	–	–	–	–
Other interest-earning assets	3	2 915	974	299	952	1 416	113	1 620	103
Total interest-earning assets		**427 376**	**34 099**	**401 041**	**32 509**	**1 784**	**163**	**2 063**	**119**

For the year to 31 March R'million	Notes	Group 2019 Balance sheet value	Group 2019 Interest expense	Group 2018 Balance sheet value	Group 2018 Interest expense	Company 2019 Balance sheet value	Company 2019 Interest expense	Company 2018 Balance sheet value	Company 2018 Interest expense
Deposits by banks and other debt-related securities	4	59 297	(2 530)	43 073	(2 122)	319	(21)	532	(13)
Customer accounts (deposits)		341 578	(22 035)	321 823	(21 434)	–	–	–	–
Other interest-bearing liabilities	5	1 720	(429)	2 274	(423)	–	(12)	–	(23)
Subordinated liabilities		15 857	(1 235)	15 013	(1 261)	1 939	(147)	1 638	(88)
Total interest-bearing liabilities		**418 452**	**(26 229)**	**382 183**	**(25 240)**	**2 258**	**(180)**	**2 170**	**(124)**
Net interest income/(expense)			**7 870**		**7 269**		**(17)**		**(5)**
Net interest margin			**1.90%***		**1.84%***		**(0.94%)**		**(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 and Import Solutions debtors.*
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 26.6% (2018: 26.8%) interest. Excluding this debt funding cost, the net interest margin amounted to 2 .05% (2018: 1.99%).*

For the year to 31 March R'million	Group 2019	 2018
3. Net fee and commission income		
Asset management and wealth management businesses net fee and commission income	**4 653**	**4 600**
Fund management fees/fees for assets under management	4 094	4 002
Private client transactional fees	661	728
Fee and commission expense	(102)	(130)
Specialist Banking net fee and commission income	**4 087**	**4 186**
Corporate and institutional transactional and advisory services*	3 470	3 712
Private client transactional fees	1 121	803
Fee and commission expense	(504)	(329)
Net fee and commission income	**8 740**	**8 786**
Annuity fees (net of fees payable)	7 615	7 558
Deal fees	1 125	1 228

Trust and fiduciary fees amounts to R4.5 million (2018: R4.7 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 717 million (2018: R1 815 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.*

For the year to 31 March R'million	Investment portfolio (listed and unlisted equities and fair value loan investments)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
4. Investment income					
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:					
2019					
Group					
Realised	947	129	574	13	1 663
Unrealised^	(1 363)	51	(617)	(101)	(2 030)
Dividend income	680	–	–	3	683
Funding and other net related (costs)/income	(40)	–	–	(36)	(76)
	224	**180**	**(43)**	**(121)**	**240**
Company					
Unrealised	(7)	–	–	–	(7)
Dividend income	28	–	–	2 130**	2 158
	21	**–**	**–**	**2 130**	**2 151**

* *Including warrants and profit shares.*
** *Dividends from investment in subsidiaries.*
^ *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line.*

For the year to 31 March R'million	Investment portfolio (listed and unlisted equities and fair value loan investments)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total

4. Investment income *(continued)*

The following table analyses investment income generated by the asset portfolio shown on the balance sheet:

For the year to 31 March R'million	Investment portfolio (listed and unlisted equities and fair value loan investments)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2018					
Group					
Realised	705	128	217	20	1 070
Unrealised^	(768)	–	445	(3)	(326)
Dividend income	306	–	–	2	308
Funding and other net related (costs)/income	(81)	–	–	29	(52)
Total investment income	**162**	**128**	**662**	**48**	**1 000**
Company					
Realised	2	–	–	–	2
Unrealised	23	–	–	–	23
Dividend income	17	–	–	2 442**	2 459
Total investment income	**42**	**–**	**–**	**2 442**	**2 484**

* *Including warrants and profit shares.*
** *Dividends from investment in subsidiaries.*
^ *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line.*

For the year to 31 March R'million	Group **2019**	 2018

5. Other operating income

	2019	2018
Rental income from properties	–	7
Unrealised gains on other investments	41	5
	41	**12**

For the year to 31 March R'million	Group 2019	 2018
6. Expected credit loss impairment charges and impairment losses on loans and advances		
Expected credit loss impairment charges/(releases) is recognised on the following assets:		
Loans and advances to customers	738	*
Expected credit loss impairment charges (refer to note 27)	1 267	*
Post write-off recoveries	(529)	*
Own originated securitised assets (refer to note 28)	(1)	*
Core loans and advances	**737**	*
Other balance sheet assets	16	*
Off balance sheet commitments and guarantees	8	*
Total expected credit loss impairment charges	**761**	*
Impairment losses on loans and advances comprises:		
Loans and advances to customers (refer to note 27)	*	**701**
Specific impairment charged to the income statement	*	377
Portfolio impairment charged to the income statement	*	324
Securitised assets (refer to note 28)	*	**–**
Specific impairment charged to the income statement	*	1
Portfolio impairment released to the income statement	*	(1)
Other loans and advances	*	**1**
Specific impairment charged to the income statement	*	1
Other assets	*	**27**
Specific impairment charged to the income statement	*	27
Total impairment losses on loans and advances	*	**729**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

	Group		Company	
For the year to 31 March R'million	**2019**	2018	**2019**	2018
7. Operating costs				
Staff compensation costs	7 014	6 869	65	65
– Salaries and wages (including directors' remuneration)^	5 943	5 748	65	65
– Share-based payment expense	650	734	–	–
– Social security costs	68	86	–	–
– Pensions and provident fund contributions	353	301	–	–
– Training and other costs	240	232	–	–
Staff costs	7 254	7 101	65	65
Premises (excluding depreciation)	377	138	–	–
Equipment (excluding depreciation)	752	668	–	–
Business expenses*	994	1 028	35	–
Marketing expenses	509	457	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	302	227	–	–
	10 188	**9 619**	**100**	**65**
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	**59**	**50**	**38**	**22**
Audit of the group's accounts	39	35	36	20
Audit of the group's subsidiaries pursuant to legislation	19	13	–	–
Audit related to assurance services	1	2	2	2
Total fees paid to the audit firm not in the capacity of being the group's auditor	**1**	**1**	**–**	**–**
Audit related to assurance services	1	1	–	–
	60	**51**	**38**	**22**
KPMG fees				
Total fees paid to the audit firm by virtue of being the group's auditor	**39**	**49**	**2**	**1**
Audit of the group's accounts	35	41	2	1
Audit of the group's subsidiaries pursuant to legislation	4	6	–	–
Audit related to assurance services	–	2	–	–
Total fees paid to the audit firm not in the capacity of being the group's auditor	**2**	**9**	**–**	**–**
Tax compliance services	–	4	–	–
Tax advisory services	1	4	–	–
Other non-audit services	1	1	–	–
	41	**58**	**2**	**1**
Total	**101**	**109**	**40**	**23**

Financial impact of group restructures and acquisitions of subsidiaries

Non-operational costs amounted to R9 million and relates primarily to costs incurred as part of the proposed demerger and separate listing of the Investec Asset Management business.

A deferred consideration of R100 million was paid in the 2018 year relating to the acquisition of the Investec Import Solutions group.

^ *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report in volume one of Investec group's 2019 integrated annual report.*

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscription costs.*

For the year to 31 March R'million	Group Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
8. Share-based payments					
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.					
Share-based payments expense					
2019					
Equity-settled	**31**	**33**	**570**	**16**	**650**
2018					
Equity-settled	**29**	**63**	**623**	**19**	**734**

For the year to 31 March Number of share options	Group 2019	2018
Details of options and shares outstanding during the year		
Outstanding at the beginning of the year	26 816 217	35 944 931
Granted during the year	6 487 699	7 087 012
Exercised during the year^	(9 829 653)	(14 784 164)
Expired during the year	(772 757)	(1 431 562)
Outstanding at the end of the year	**22 701 506**	**26 816 217**
Vested and exercisable at the end of the year	**452 729**	**359 963**

^ *The weighted average share price for options exercised during the year and weighted average exercise price was R91.85 (2018: R96.49) and Rnil (2018: Rnil) respectively.*

For information on the share options granted to directors, refer to volume one of Investec group's 2019 integrated annual report.

For the year to 31 March	Group 2019	2018
Long-term incentive grants with no strike price		
Weighted average remaining contractual life	2 years	1.84 years
Weighted average fair value of options and long-term grants at measurement date	R91.77	R96.61
The fair values of shares granted are calculated at market price. For shares granted during the year, the inputs were as follows:		
– Share price at date of grant	R90.96 – R92.55	R94.94 – R97.45
– Exercise price	Rnil	Rnil
– Option life	4.75 years	4.75 years

For the year to 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
9. Taxation				
Current taxation				
Southern Africa				
Current taxation	896	682	30	(94)
In respect of current year	1 284	1 479	30	20
In respect of release of tax provisions no longer required	(293)	(797)	–	(114)
In respect of prior year adjustments	(95)	–	–	–
Deferred taxation	(255)	(360)	–	–
Total South African taxation	**641**	**322**	**30**	**(94)**
Foreign current taxation				
Mauritius	29	25	–	–
Botswana	6	6	–	–
Total foreign taxation	**35**	**31**	**–**	**–**
Total taxation charge/(credit) as per the income statement	**676**	**353**	**30**	**(94)**
Taxation on operating profit before goodwill and intangible assets	694	367	30	(94)
Taxation on acquired intangibles	(18)	(14)	–	–
Tax rate reconciliation:				
Profit before taxation as per the income statement	8 074	7 718	2 386	2 533
Total taxation charge as per the income statement	676	353	30	(94)
Effective rate of taxation	**8.4%**	**4.6%**	**1.3%**	**(3.7%)**
The standard rate of South African normal taxation has been affected by:				
Dividend income	4.7%	2.6%	25.0%	27.1%
Qualifying distribution	4.8%	4.4%	–	–
Other Additional Tier 1 securities interest	0.5%	0.2%	1.2%	0.7%
Foreign earnings*	1.3%	1.3%	–	–
Prior year taxation adjustments	1.2%	0.1%	–	–
Release of tax provisions no longer required	3.6%	10.3%	–	4.5%
Tax rate differential of profits of capital nature	(0.2%)	–	4.2%	1.3%
Assessed losses	0.2%	0.5%	–	–
Tax impact of equity accounted earnings of associate	4.0%	2.8%	–	–
Other non-taxable/non-deductible differences^	(0.5%)	1.2%	(3.7%)	(1.9%)
	28.0%	**28.0%**	**28.0%**	**28.0%**
The deferred taxation credit in the income statement arises from:				
Income and expenditure accruals	78	(396)	–	–
Impairment on loans and advances to customers	(98)	–	–	–
Unrealised fair value adjustments on financial instruments	(203)	153	–	–
Losses carried forward	(32)	(77)	–	–
Acquired intangibles	(14)	(14)	–	–
Revaluation of investment property	(1)	(118)	–	–
Finance lease accounting	15	(5)	–	–
Other temporary differences	–	97	–	–
	(255)	**(360)**	**–**	**–**

* *Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.*

	Group 2019	Group 2018
9. Taxation *(continued)*		
Other comprehensive income taxation effects		
Fair value movements on cash flow hedge movements taken directly to other comprehensive income	62	(93)
– Pre-taxation	(232)	51
– Deferred taxation effect	318	–
– Current taxation effect	(24)	(144)
Fair value movements on debt instruments at FVOCI/available-for-sale assets taken directly to other comprehensive income	(201)	245
– Pre-taxation	(262)	332
– Deferred taxation effect	61	(87)
Gain on realisation of FVOCI debt intruments/available-for-sale assets recycled through the income statement	(89)	(94)
– Pre-taxation	(124)	(131)
– Deferred taxation effect	35	37

10. Headline earnings

For the year to 31 March R'million	Group 2019	Group 2018
Earnings attributable to shareholders	6 173	6 302
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(489)	(458)
Earnings attributable to ordinary shareholders	**5 684**	**5 844**
Headline adjustments:	20	(354)
Revaluation of investment properties^	17	(260)
Gain on realisation of available-for-sale assets recycled to the income statement^	–	(94)
Impairment of goodwill	3	–
Headline earnings attributable to ordinary shareholders	**5 704**	**5 490**

^ *Taxation on headline earnings adjustments amounted to Rnil million (2018: R88.6 million) with a (R26.0 million) (2018: R350.5 million) impact on earnings attributable to non-controlling interests.*

For the year to 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
11. Dividends				
Ordinary dividend				
Final dividend-prior year*	1 133	1 048	1 158	1 084
Interim dividend-current year*	1 195	1 063	1 210	1 092
Total dividend attributable to ordinary shareholders recognised in current financial year	**2 328**	**2 111**	**2 368**	**2 176**
The directors have proposed a final dividend in respect of the financial year ended 31 March 2019 of 251 cents (2018: 232 cents) per ordinary share. The final dividend will be payable on 12 August 2019 to shareholders on the register at the close of business on 26 July 2019. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on 8 August 2019.				
Perpetual preference dividend				
Final dividend-prior year	194	198	128	131
Interim dividend-current year	190	197	126	129
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**384**	**395**	**254**	**260**
The directors have declared a final dividend in respect of the financial year ended 31 March 2019 of 394.65612 cents (2018: 397.31947) per Investec Limited perpetual preference share and 422.87121 cents (2018: 425.72498 cents) per Investec Bank Limited perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on 8 June 2019.				
Dividends attributable to Other Additional Tier 1 securities in issue	**105**	**63**	**105**	**63**
The INLVO1 and INLVO5 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% and 5.15% respectively as set out in note 47.				
Total dividends declared to other equity holders including Other Additional Tier 1 securities	**489**	**458**	**359**	**323**

* *This includes the dividend paid by Investec Limited on DAS share equivalent for South African resident shareholders of Investec plc.*

For the year to 31 March R'million	Group 2019	Group 2018
12. Operating lease disclosure		
Operating lease expenses recognised in operating costs:		
Minimum lease payments	**177**	**161**
Operating lease income recognised in income:		
Minimum lease payments	**1 717**	**1 815**

The majority of the operating lease expenses in the group relate to leases on property. Rental income from leasing properties is included in 'Fee and commission income'.

At 31 March R'million	Group 2019	Group 2018
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	1 439	1 310
One to five years	3 256	3 234
Later than five years	958	936
	5 653	**5 480**

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.

Refer to note 52 for detail on operating lease commitments.

13. Analysis of income and impairments by category of financial instruments

For the year to 31 March R'million	At fair value through profit or loss – IFRS 9 mandatory: Trading^	Non-trading^	Designated at initial recognition
Group			
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	–	–	–
Trading income arising from			
– customer flow	628	(13)	–
– balance sheet management and other trading activities	384	4	108
Other operating income	–	30	–
Total operating income before expected credit loss impairment charges	**1 183**	**2 499**	**(88)**
Expected credit loss impairment charges**	–	–	28
Operating income	**1 183**	**2 499**	**(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 income and expenses from positions held for trading intent or to hedge elements of the trading book.*

For the year to 31 March R'million	Trading	Designated at inception
2018		
Net interest income	620	3 269
Fee and commission income	294	114
Fee and commission expense	–	(1)
Investment income	123	134
Share of post taxation profit of associates	–	–
Trading income arising from		
– customer flow	254	9
– balance sheet management and other trading activities	279	(205)
Other operating income	–	1
Total operating income before impairment losses on loans and advances	**1 570**	**3 321**
Impairment losses on loans and advances**	–	–
Operating income	**1 570**	**3 321**

** *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

	At fair value through other comprehensive income				
	Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income*	**Total**
	4 708	27 274	142	13	34 099
	–	(24 879)	–	(3)	(26 229)
	–	1 505	1 753	6 088	9 346
	(2)	(332)	(141)	(132)	(606)
	125	30	(1 752)	–	240
	–	–	1 163	–	1 163
	–	5	–	(7)	613
	–	(81)	4	–	419
	–	–	11	–	41
	4 831	**3 522**	**1 180**	**5 959**	**19 086**
	5	(786)	–	(8)	(761)
	4 836	**2 736**	**1 180**	**5 951**	**18 325**

			At fair value through other comprehensive income				
	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	129	24 626	1 816	(23 191)	–	–	7 269
	–	1 133	–	3	1 981	5 720	9 245
	–	(93)	–	(18)	(75)	(272)	(459)
	–	(13)	54	–	702	–	1 000
	–	–	–	–	777	–	777
	–	(5)	–	156	–	–	414
	–	(38)	(1)	(22)	(54)	–	(41)
	–	–	–	–	11	–	12
	129	**25 610**	**1 869**	**(23 072)**	**3 342**	**5 448**	**18 217**
	–	(729)	–	–	–	–	(729)
	129	**24 881**	**1 869**	**(23 072)**	**3 342**	**5 448**	**17 488**

13. Analysis of income and impairments by category of financial instruments
(continued)

For the year to 31 March R'million	At fair value through profit or loss IFRS 9 mandatory Non-trading^	At fair value through other comprehensive income Equity instruments	Amortised cost	Non financial instruments	Total
Company					
2019					
Interest income	–	–	163	–	163
Interest expense	–	–	(180)	–	(180)
Investment income	(7)	28	–	2 130	2 151
Trading income arising from balance sheet management and other trading activities	–	–	–	(5)	(5)
Total operating income before expected credit loss impairment charges	**(7)**	**28**	**(17)**	**2 125**	**2 129**

^ *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 to hedge elements of the trading book.*

For the year to 31 March R'million	At fair value through profit or loss Designated at inception	At fair value through other comprehensive income Available-for-sale	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
13. Analysis of income and impairments by category of financial instruments *(continued)*						
Company						
2018						
Net interest income/(expense)	–	–	119	(124)	–	(5)
Investment income	27	14	–	–	2 443	2 484
Total operating income before impairment losses on loans and advances	**27**	**14**	**119**	**(124)**	**2 443**	**2 479**

For the year to 31 March R'million	At fair value through profit or loss IFRS 9 mandatory Trading^	Non-trading^	Designated at initial recognition
14. Analysis of financial assets and liabilities by measurement category			
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	–	–	–
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 to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

	At fair value through other comprehensive income	At fair value through profit or loss				
	Debt instruments with a dual business model	**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 measurement basis *(continued)*

At 31 March R'million	At fair value through profit or loss Trading	 Designated at inception	 Available-for-sale
Group			
2018			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	1 295	–
Non-sovereign and non-bank cash placements	574	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	12 466	–	–
Sovereign debt securities	–	41 050	17 890
Bank debt securities	–	–	6 136
Other debt securities	–	109	9 052
Derivative financial instruments*	12 563	–	–
Securities arising from trading activities	12 289	–	–
Investment portfolio	–	6 925	3
Loans and advances to customers	–	17 250	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	947	304	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	38 839	**66 933**	**33 081**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	38 839	**66 933**	**33 081**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	15 907	–	–
Other trading liabilities	14 238	–	–
Repurchase agreements and cash collateral on securities lent	917	–	–
Customer accounts (deposits)	–	39 485	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	291	–	–
	31 353	**39 485**	**–**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	31 353	**39 485**	**–**
Subordinated liabilities	–	–	–
	31 353	**39 485**	**–**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Financial assets linked to investment contract liabilities (refer to note 37)	Non-financial instruments or scoped out of IAS 39	Total
–	–	9 187	–	9 187	–	–	9 187
1 295	–	18 325	–	18 325	–	–	19 620
574	–	9 419	–	9 419	–	–	9 993
12 466	–	11 751	–	11 751	–	–	24 217
58 940	3 463	–	–	3 463	–	–	62 403
6 136	1 333	496	–	1 829	–	–	7 965
9 161	84	1 145	–	1 229	–	–	10 390
12 563	–	–	–	–	–	–	12 563
12 289	–	–	–	–	–	–	12 289
6 928	–	–	–	–	–	–	6 928
17 250	–	231 822	–	231 822	–	–	249 072
–	–	7 630	–	7 630	–	–	7 630
–	–	265	–	265	–	–	265
–	–	299	–	299	–	–	299
–	–	189	–	189	–	6 306	6 495
–	–	–	–	–	–	983	983
1 251	–	8 072	–	8 072	–	3 982	13 305
–	–	–	–	–	–	2 973	2 973
–	–	–	–	–	–	19 439	19 439
–	–	–	–	–	–	211	211
–	–	–	–	–	–	412	412
138 853	**4 880**	**298 600**	**–**	**303 480**	**–**	**34 306**	**476 639**
–	–	–	–	–	141 071	–	141 071
138 853	**4 880**	**298 600**	**–**	**303 480**	**141 071**	**34 306**	**617 710**
–	–	–	27 793	27 793	–	–	27 793
15 907	–	–	–	–	–	–	15 907
14 238	–	–	–	–	–	–	14 238
917	–	–	7 478	7 478	–	–	8 395
39 485	–	–	282 338	282 338	–	–	321 823
–	–	–	6 885	6 885	–	–	6 885
–	–	–	2 274	2 274	–	–	2 274
–	–	–	–	–	–	551	551
–	–	–	–	–	–	171	171
291	–	–	6 302	6 302	–	5 717	12 310
70 838	**–**	**–**	**333 070**	**333 070**	**–**	**6 439**	**410 347**
–	–	–	–	–	141 013	–	141 013
–	–	–	–	–	58	–	58
70 838	**–**	**–**	**333 070**	**333 070**	**141 071**	**6 439**	**551 418**
–	–	–	15 013	15 013	–	–	15 013
70 838	**–**	**–**	**348 083**	**348 083**	**141 071**	**6 439**	**566 431**

14. Analysis of financial assets and liabilities by measurement category *(continued)*

For the year to 31 March R'million	At fair value through profit or loss – IFRS 9 mandatory – Non-trading^	At fair value through other comprehensive income – Equity instruments
Company		
2019		
Assets		
Loans and advances to banks	–	–
Bank debt securities	–	–
Investment portfolio	16	293
Other assets	–	–
Investment in subsidiaries	12	–
	28	**293**
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 to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

At 31 March R'million	At fair value through profit or loss – Trading	At fair value through profit or loss – Designated at inception
Company		
2018		
Assets		
Loans and advances to banks	–	–
Bank debt securities	–	–
Investment portfolio	–	23
Other assets	–	–
Investment in subsidiaries	9	–
	9	**23**
Liabilities		
Debt securities in issue	–	–
Current taxation liabilities	–	–
Other liabilities	–	–
	–	**–**
Subordinated liabilities	–	–
	–	**–**

	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
	–	18	–	18
	–	350	–	350
	309	–	–	309
	–	11	24	35
	12	1 404	15 581	16 997
	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**

	Available-for-sale	Total instruments at fair value	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments or scoped out of IAS 39	Total
	–	–	93	–	93	–	93
	–	–	350	–	350	–	350
	344	367	–	–	–	–	367
	–	–	17	–	17	23	40
	–	9	1 611	–	1 611	15 078	16 698
	344	**376**	**2 071**	**–**	**2 071**	**15 101**	**17 548**
	–	–	–	532	532	–	532
	–	–	–	–	–	43	43
	–	–	–	23	23	531	554
	–	**–**	**–**	**555**	**555**	**574**	**1 129**
	–	–	–	1 638	1 638	–	1 638
	–	**–**	**–**	**2 193**	**2 193**	**574**	**2 767**

15. Financial instruments carried at fair value

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

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

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

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

Fair value 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				
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**

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
Group				
2018				
Assets				
Loans and advances to banks	1 295	1 295	–	–
Non-sovereign and non-bank cash placements	574	–	574	–
Reverse repurchase agreements and cash collateral on securities borrowed	12 466	3 261	9 205	–
Sovereign debt securities	58 940	58 940	–	–
Bank debt securities	6 136	4 884	1 252	–
Other debt securities	9 161	4 145	4 907	109
Derivative financial instruments	12 563	–	12 541	22
Securities arising from trading activities	12 289	12 205	84	–
Investment portfolio	6 928	2 619	1 583	2 726
Loans and advances to customers	17 250	–	17 250	–
Other assets	1 251	1 251	–	–
	138 853	**88 600**	**47 396**	**2 857**
Liabilities				
Derivative financial instruments	15 907	–	15 907	–
Other trading liabilities	14 238	12 625	1 613	–
Repurchase agreements and cash collateral on securities lent	917	–	917	–
Customer accounts (deposits)	39 485	–	39 485	–
Other liabilities	291	–	291	–
	70 838	**12 625**	**58 213**	**–**
Net financial assets/(liabilities) at fair value	**68 015**	**75 975**	**(10 817)**	**2 857**
Company				
2019				
Assets				
Investment portfolio	309	309	–	–
Investment in subsidiaries	12	–	12	–
	321	**309**	**12**	**–**
2018				
Assets				
Investment portfolio	367	367	–	–
Investment in subsidiaries	9	–	9	–
	376	**367**	**9**	**–**

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 assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Discounted cash flow model	Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

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 is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy. All instruments are at fair value through profit or loss:

For the year to 31 March **R'million**	Investment portfolio	Loans and advances to customers	Other level 3 assets	**Total level 3 financial instruments**
Group				
Balance as at 1 April 2017	3 240	–	574	3 814
Total gains/(losses) recognised In the income statement	(111)	–	13	(98)
Purchases	732	–	–	732
Sales	(620)	–	–	(620)
Settlements	(95)	–	–	(95)
Transfers into level 3	123	–	–	123
Transfers out of level 3	(494)	–	(456)	(950)
Foreign exchange adjustments	(49)	–	–	(49)
Balance as at 31 March 2018	**2 726**	**–**	**131**	**2 857**
Adoption of IFRS 9	1 108	604	(22)	1 690
At 1 April 2018	**3 834**	**604**	**109**	**4 547**
Total losses recognised In the income statement	(395)	(1)	–	(396)
Purchases	3 698	94	–	3 792
Sales	(640)	–	–	(640)
Settlements	(4)	–	–	(4)
Transfers into level 3	220	63	–	283
Foreign exchange adjustments	(11)	–	6	(5)
Balance as at 31 March 2019	**6 702**	**760**	**115**	**7 577**

For the year ended 31 March 2019, R283 million has been transferred from level 2 into level 3 as a result of a credit risk adjustment to the discount rate becoming a significant input.

For the year ended 31 March 2018, a level 3 investment of R950 million has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition, R123 million has been transferred into level 3 due to inputs becoming unobservable in the market.

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

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			
2019			
Total gains/(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)**

For the year to 31 March R'million	**Total**	Realised	Unrealised
Group			
2018			
Total gains/(losses) included in the income statement for the year			
Net interest income	28	28	–
Investment (loss)/income	(153)	399	(552)
Trading income arising from balance sheet management and other trading activities	27	1	26
	(98)	**428**	**(526)**

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 following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

					Effect on the income statement	
At 31 March 2019	**Balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
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	Precious and industrial metals prices	(10%)/6%	41	(41)
		Discounted cash flow	Cash flows	(50%)/50%	199	(180)
		Discounted cash flow	Property values	(5%)/5%	191	(191)
		Other	Various	**	90	(212)
		Net asset value	Underlying asset value	^	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 asset	**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 has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

** *The valuation sensitivity for 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 purpose of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

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

15. Financial instruments at fair value *(continued)*

At 31 March 2018	Balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Effect on the income statement: Favourable changes R'million	Effect on the income statement: Unfavourable changes R'million
Assets						
Derivative financial instruments	22	Price-earnings	EBITDA	(10%)/10%	2	(2)
Investment portfolio	2 726				1 033	(1 122)
		Price-earnings	EBITDA	*	834	(730)
		Discounted cash flow	Precious and industrial metals prices	(10%)/6%	40	(68)
		Discounted cash flow	Cash flows	*	38	(41)
		Discounted cash flow	Property prices	(10%)/10%	34	(34)
		Other	Various	**	87	(249)
Other debt securities	109	Price-earnings	EBITDA	(5%)/5%	5	(5)
Total	**2 857**				**1 040**	**(1 129)**

* *The EBITDA has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

** *The valuation sensitivity for 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 purpose 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 is a principal input that can require judgement:

Price-earnings multiple

The price-to-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.

Price of property and precious and industrial metal prices

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

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.

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:

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
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	–	–

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
2018					
Assets					
Sovereign debt securities	3 463	3 458	3 458	–	–
Bank debt securities	1 829	1 865	1 719	146	–
Other debt securities	1 229	1 232	–	1 232	–
Loans and advances to customers	231 822	231 831	6 507	206 014	19 310
Liabilities					
Deposits by banks	27 793	27 999	3 397	24 602	–
Repurchase agreements and cash collateral on securities lent	7 478	7 475	4 090	3 385	–
Customer accounts (deposits)	282 338	283 264	132 178	151 086	–
Debt securities in issue	6 885	6 891	3 129	3 692	70
Subordinated liabilities	15 013	16 390	16 390	–	–

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 amount approximates 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.

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
16. Fair value of financial instruments at amortised cost *(continued)*					
Company					
2019					
Liabilities					
Subordinated liabilities	1 939	1 962	1 962	–	–
2018					
Liabilities					
Subordinated liabilities	1 638	1 665	1 665	–	–

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 amount approximates 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.

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments not held at fair value categorised as level 2 and level 3.

	Valuation basis/techniques	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 were sold during the year. The most significant of these was a loan to the value of R78 million which was sold as the risk of the asset exceeded the appetite of the portfolio.

		Fair value adjustment		Change in fair value attributable to credit risk		
At 31 March R'million	**Carrying value**	**Current**	**Cumulative**	**Current**	**Cumulative**	**Maximum exposure to credit risk**
17. Financial instruments designated at fair value						
Group						
Assets						
2019						
Loans and advances to customers	14 056	163	174	(28)	(30)	13 882
	14 056	**163**	**174**	**(28)**	**(30)**	**13 882**
2018						
Loans and advances to customers	17 250	265	394	16 990	–	–
	17 250	**265**	**394**	**16 990**	**–**	**–**

			Fair value adjustment	
At 31 March R'million	**Carrying value**	**Remaining contractual amount to be repaid at maturity**	**Current**	**Cumulative**
Group				
Liabilities				
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**
2018				
Customer accounts (deposits)	39 485	39 235	161	250
	39 485	**39 235**	**161**	**250**

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 R2 million and R33 million respectively.

At 31 March R'million	Group 2019	Group 2018
18. Cash and balances at central banks		
Gross cash and balances at central banks	10 298	9 187
Expected credit loss on amortised cost*	(8)	–
Net cash and balances at central banks	**10 290**	**9 187**
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	10 086	8 989
Other	204	198
	10 290	**9 187**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
19. Loans and advances to banks				
Gross loans and advances to banks	22 126	19 620	18	93
Expected credit loss on amortised cost*	(1)	–	–	–
Net loans and advances to banks	**22 125**	**19 620**	**18**	**93**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	14 391	10 152	18	93
United Kingdom	1 077	2 486	–	–
Europe (excluding UK)	1 091	1 743	–	–
Australia	150	208	–	–
United States of America	3 363	3 474	–	–
Asia	1 837	609	–	–
Other	216	948	–	–
	22 125	**19 620**	**18**	**93**

At 31 March R'million	Group 2019	Group 2018
20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	21 346	24 217
Expected credit loss on amortised cost*	^	–
Net reverse repurchase agreements and cash collateral on securities borrowed	**21 346**	**24 217**
Reverse repurchase agreements	16 378	15 079
Cash collateral on securities borrowed	4 968	9 138
	21 346	**24 217**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. R5.5 billion (2018: R1.5 billion) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	15 234	8 395
	15 234	**8 395**
The assets transferred and not derecognised in the above repurchase agreements are fair valued at R12.8 billion (2018: R8.5 billion). They are pledged as security for the term of the underlying repurchase agreement. Refer to note 52.		

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

^ *Less that R1 million.*

At 31 March R'million	Group 2019	Group 2018
21. Sovereign debt securities		
Gross sovereign debt securities	60 897	62 403
Expected credit loss on amortised cost*	(4)	–
Net sovereign debts securities	**60 893**	**62 403**
Bonds	22 521	17 153
Government securities	1 791	1 144
Treasury bills	36 581	44 106
	60 893	**62 403**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	60 753	62 403
Other	140	–
	60 893	**62 403**

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
22. Bank debt securities				
Gross bank debt securities	12 506	7 965	350	350
Expected credit loss on amortised cost*	(4)	–	–	–
Net bank debt securities	**12 502**	**7 965**	**350**	**350**
Bonds	10 900	5 028	350	350
Floating rate notes	1 048	2 441	–	–
Asset-based securities	554	496	–	–
	12 502	**7 965**	**350**	**350**
The country risk of the bank debt securities lies in the following geographies:				
South Africa	7 042	4 770	350	350
United Kingdom	2 130	2 066	–	–
Europe (excluding UK)	1 321	–	–	–
Australia	1 060	–	–	–
United States of America	903	1 023	–	–
Other	46	106	–	–
	12 502	**7 965**	**350**	**350**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

At 31 March R'million	Group 2019	 2018
23. Other debt securities		
Gross other debt securities	13 586	10 390
Expected credit loss on amortised cost*	(6)	–
Net other debt securities	**13 580**	**10 390**
Bonds	11 545	6 336
Floating rate notes	1 761	2 800
Asset-based securities	241	1 218
Other investments	33	36
	13 580	**10 390**
The country risk of the other debt securities lies in the following geographies:		
South Africa	8 937	5 309
United Kingdom	2 372	163
Europe (excluding UK)	1 855	3 791
Australia	206	145
United States of America	–	169
Other	210	813
	13 580	**10 390**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

24. Derivative financial instruments

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.

	Group					
	2019			2018		
At 31 March R'million	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	98 486	1 299	1 220	126 140	3 348	2 240
Currency swaps	42 608	1 634	4 491	35 187	2 046	3 002
OTC options bought and sold	51 922	506	611	36 304	899	1 036
Other foreign exchange contracts	4 961	20	26	2	^	^
	197 977	**3 459**	**6 348**	**197 633**	**6 293**	**6 278**
Interest rate derivatives						
Caps and floors	2 806	10	6	2 114	8	5
Swaps	1 093 675	2 218	3 212	282 451	2 337	3 228
Forward rate agreements	12 200	114	116	1 600	52	14
OTC options bought and sold	925	^	1	1 000	31	31
Other interest rate contracts	6 977	304	26	6 604	^	396
	1 116 583	**2 646**	**3 361**	**293 769**	**2 428**	**3 674**
Exchange traded futures	15	52	–	–	–	–
	1 116 598	**2 698**	**3 361**	**293 769**	**2 428**	**3 674**
Equity and stock index derivatives						
OTC options bought and sold	39 525	1 896	2 003	41 004	4 703	3 097
Equity swaps and forwards	34 511	73	855	59 104	1 044	1 437
OTC derivatives	74 036	1 969	2 858	100 108	5 747	4 534
Exchange traded futures	2 613	2	–	1 828	(23)	–
Exchange traded options	698	37	–	5 131	(1)	–
Warrants	(6 322)	–	5 472	2 188	–	5 904
	71 025	**2 008**	**8 330**	**109 255**	**5 723**	**10 438**
Commodity derivatives						
OTC options bought and sold	2	7	8	10	9	9
Commodity swaps and forwards	1	173	92	816	62	30
	3	**180**	**100**	**826**	**71**	**39**
Credit derivatives	**10 782**	**8**	**57**	**9 106**	**10**	**56**
Other derivatives		**174**	**–**		**–**	**–**
Embedded derivatives*		**–**	**–**		**213**	**–**
Cash collateral		**(791)**	**(7 085)**		**(2 175)**	**(4 578)**
Derivatives per balance sheet		**7 736**	**11 111**		**12 563**	**15 907**

* *In 2018 embedded derivatives mainly included profit shares received as part of lending transactions. Following the adoption of IFRS 9 these are either accounted for as stand-alone derivatives or no longer separated from the host contract so form part of the fair value of loans accounted for at fair value.*

^ *Less than R1 million.*

At 31 March R'million	Group 2019	 2018
25. Securities arising from trading activities		
Bonds	3 554	599
Listed equities	16 440	11 606
Unlisted equities	85	84
	20 079	**12 289**

At 31 March R'million	Group 2019	 2018	Company 2019	 2018
26. Investment portfolio				
Listed equities	3 034	2 988	309	367
Unlisted equities*	4 144	3 940	–	–
Fair value loan investments	2 892	–	–	–
	10 070	**6 928**	**309**	**367**

* *Unlisted equities include loan instruments that are convertible into equity.*

^ *Included is an investment of Investec Property Fund shares of R293 million which is measured at FVOCI. The dividends recognised on this investment is R28 million. The company measures the investment at FVOCI as it considers it to be a strategic investment.*

At 31 March R'million	Group 2019	2018
27. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers at amortised cost	250 097	233 250
Gross loans and advances to customers designated at FVPL at inception^	14 085	17 250
Gross loans and advances to customers subject to ECL	264 182	250 500
Expected credit loss*	(2 691)	–
Impairments losses*	–	(1 428)
	261 491	249 072
Loans and advances to customers at fair value	2 046	–
Net loans and advances to customers	**263 537**	**249 072**
Gross other loans and advances	355	288
Expected credit loss of other loans and advances*	(26)	–
Impairments of other loans and advances*	–	(23)
Net other loans and advances	**329**	**265**
Expected credit losses on loans and advances to customers at amortised cost		
Balance at the beginning of year	**1 428**	
Adoption of IFRS 9	539	
Balance at 1 April 2018	**1 967**	
Charge to the income statement	1 267	
Utilised	(533)	
Disposals	(37)	
Transfers	(1)	
Exchange adjustment	28	
Balance at end of year	**2 691**	
Expected credit losses on other loans and advances at amortised cost		
Balance at the beginning of year	22	
Transfers	1	
Balance at end of year	**23**	

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

^ *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 47 to 54 in the risk management section.

At 31 March R'million	Group 2018
27. Loans and advances to customers and other loans and advances *(continued)*	
Specific and portfolio impairments	
Reconciliation of movements in specific and portfolio impairments:	
Loans and advances to customers	
Specific impairment	
Balance at the beginning of the year	883
Charge to the income statement	377
Impairment losses of on loans and advances	679
Reversals and recoveries recognised in the income statement	(302)
Utilised	(456)
Transfers	(5)
Exchange adjustment	(6)
Balance at the end of the year	**793**
Portfolio impairment	
Balance at the beginning of the year	321
Charge to the income statement	324
Transfers	5
Exchange adjustment	(15)
Balance at the end of the year	**635**
Other loans and advances	
Specific impairment	
Balance at the beginning of the year	6
Charge/(release) to the income statement	1
Utilised	(2)
Transfers	(1)
Balance at the end of the year	**4**
Portfolio impairment	
Balance at the beginning of the year	18
Transfers	1
Balance at the end of the year	**19**
Total specific impairments	797
Total portfolio impairments	654
Total impairments	**1 451**

At 31 March R'million	Group 2019	2018
28. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	7 677	7 636
Expected credit loss of own originated loans and advances to customers securitised*	(10)	–
Impairments of own originated loans and advances to customers securitised*	–	(6)
Net own originated loans and advances to customers securitised	**7 667**	**7 630**
Other securitised assets are made up of the following category of asset:		
Cash and cash equivalents	294	299
Total other securitised assets	**294**	**299**
The associated liabilities are recorded on balance sheet in the following line item:		
Liabilities arising on securitisation of own originated loans and advances	**1 720**	**2 274**
Expected credit losses of own originated loans and advances to customers securitised at amortised cost		
Balance at the beginning of year	**6**	
Adoption of IFRS 9	5	
Balance at 1 April 2018	**11**	
Utilised	(1)	
Balance at end of year	**10**	

At 31 March R'million	Group 2018
Specific and portfolio impairments	
Reconciliation of movements in specific and portfolio impairments of own originated loans and advances to customers securitised	
Specific impairment	
Balance at the beginning of the year	1
Charge to the income statement	1
Balance at the end of the year	**2**
Portfolio impairment	
Balance at the beginning of the year	5
Charge to the income statement	(1)
Balance at the end of the year	**4**
Total portfolio and specific impairments on balance sheet	**6**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

At 31 March R'million	Group 2019	Group 2018
29. Interests in associated undertakings		
Analysis of the movement in interests in associated undertakings:		
Balance at the beginning of the year	6 495	5 514
Exchange adjustments	12	(3)
Disposals	(20)	–
Acquisitions	35	18
Advance of loan	–	189
Settlement of loan	(189)	–
Share of post taxation profit of associates	1 163	777
Profit or losses recognised in other comprehensive income and equity	(124)	–
Dividend declared by associates	(1 088)	–
Balance at the end of the year	**6 284**	**6 495**

R'million	2019	2018
Details of material associated companies		
IEP Group Proprietary Limited		
Summarised financial information (R'million): **For the year to 31 March**		
Revenue	14 637	11 698
Profit after taxation	3 012	1 927
Total comprehensive income	2 915	1 903
At 31 March		
Assets		
Non-current assets	20 429	20 862
Current assets	6 286	6 184
Liabilities		
Non-current liabilities	5 600	9 603
Current liabilities	6 549	3 073
Net asset value	**14 566**	**14 370**
Non-controlling interest	2 574	2 342
Shareholders' equity	11 992	12 028
Effective interest in issued share capital	45.9%	45.7%
Net asset value	5 502	5 499
Goodwill	682	681
Carrying value of interest – equity method	**6 184**	**6 180**

At 31 March R'million	Group 2019	Group 2018
30. Deferred taxation		
Deferred taxation assets	1 890	983
Deferred taxation liabilities	(54)	(171)
Net deferred taxation assets	**1 836**	**812**
The net deferred taxation assets arise from:		
Income and expenditure accruals	978	765
Impairment of loans and advances to customers	382	51
Unrealised fair value adjustments on financial instruments	205	76
Losses carried forward	251	219
Acquired intangibles	(61)	(76)
Revaluation of investment property	(291)	(292)
Finance lease accounting	54	69
Fair value on cash flow hedge	318	–
Net deferred taxation assets	**1 836**	**812**
Reconciliation of net deferred taxation assets		
At beginning of year	812	500
Adoption of IFRS 9	348	–
Recovery to the income statement	255	360
Charge/(recovery) directly in other comprehensive income	414	(50)
Other	7	2
At year end	**1 836**	**812**

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. Deferred taxation assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
31. Other assets				
Gross other assets	14 371	13 305	35	40
Expected credit loss on amortised cost*	(90)	–	–	–
Net other assets	**14 281**	**13 305**	**35**	**40**
Settlement debtors	2 140	2 528	–	–
Trading properties	2 723	2 928	–	–
Prepayments and accruals	677	524	–	–
Trading initial margin	672	659	–	–
Investec Import Solutions debtors	2 621	2 819	–	–
Commodities	1 163	–	–	–
Fee debtors	243	55	–	–
Corporate tax assets	123	88	–	–
Other	3 919	3 704	35	40
	14 281	**13 305**	**35**	**40**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

32. Property and equipment

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
Group					
2019					
Cost					
At the beginning of the year	2 704	63	227	1 014	4 008
Acquisition of a 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**
2018					
Cost					
At the beginning of the year	504	44	198	918	1 664
Additions	2 200	19	40	108	2 367
Disposals	–	–	(16)	(62)	(78)
Reclassifications	–	–	5	50	55
At the end of the year	**2 704**	**63**	**227**	**1 014**	**4 008**
Accumulated depreciation					
At the beginning of the year	(57)	(29)	(135)	(681)	(902)
Disposals	–	–	12	56	68
Depreciation	(10)	(6)	(16)	(114)	(146)
Reclassifications	–	–	(5)	(50)	(55)
At the end of the year	**(67)**	**(35)**	**(144)**	**(789)**	**(1 035)**
Net carrying value	**2 637**	**28**	**83**	**225**	**2 973**

At 31 March R'million	Group 2019	 2018
33. Investment properties		
At the beginning of the year	19 439	18 688
Additions	229	896
Disposals	(626)	(590)
Fair value movement	(617)	445
At the end of the year	**18 425**	**19 439**

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	*Definition*
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	*Definition*
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 (range 7.0% to 15.9%).
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. Across the properties held at 31 March 2019. Its was determined if the equivalent yield applied per property increase/(decreases) by 50 basis points the overall value of the properties would decrease by 5.3% (2018: 5.6%) or increase by 6.0% (2018: 5.9%)

Further analysis of investment properties is in the risk management section on pages 55 and 56.

At 31 March R'million	Group 2019	 2018
34. Goodwill		
Cost		
At the beginning of the year	1 454	1 454
Acquisitions	3	–
At the end of the year	**1 457**	**1 454**
Accumulated impairments		
At the beginning of the year	(1 243)	(1 243)
Impairment of goodwill	(3)	–
At the end of the year	**(1 246)**	**(1 243)**
Net carrying value	**211**	**211**
Analysis of goodwill by line of business:		
Wealth & Investment	37	37
Specialist Banking	174	174
	211	**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 the Investec Import Solutions (IIS) (previously Blue Strata) acquisition which has been identified as a separate cash-generating unit. The goodwill relating to IIS 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. The discount rate applied of 6.75% is determined using the South African Inter-bank lending rate, adjusted for business specific risk.

The valuation would be level 3 in the fair value hierarchy.

At 31 March R'million	Acquired software	Internally generated software	Client relationships	Total
35. Intangible assets				
Group				
2019				
Cost				
At the beginning of the year	733	18	412	1 163
Acquisition of a subsidiary undertaking	–	13	–	13
Additions	168	6	–	174
Disposals	(19)	–	–	(19)
At the end of the year	**882**	**37**	**412**	**1 331**
Accumulated amortisation and impairments				
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**
2018				
Cost				
At the beginning of the year	697	117	412	1 226
Additions	49	–	–	49
Disposals	(13)	(99)	–	(112)
At the end of the year	**733**	**18**	**412**	**1 163**
Accumulated amortisation and impairments				
At the beginning of the year	(532)	(96)	(90)	(718)
Disposals	1	98	–	99
Amortisation	(75)	(6)	(51)*	(132)
At the end of the year	**(606)**	**(4)**	**(141)**	**(751)**
Net carrying value	**127**	**14**	**271**	**412**

* *Amortisation of acquired intangibles as disclosed in the income statement.*

36. Acquisitions

There were no significant acquisitions or disposals of subsidiaries during the current year.

A deferred consideration of R100 million which was based on profitability criteria, was paid in the prior year relating to the acquisition of the Investec Import Solutions group, previously Blue Strata group. This was recognised as an expense in the income statement.

At 31 March	Nature of business	Holding %	Shares at book value R'million 2019	Shares at book value R'million 2018	Net indebtedness R'million 2019	Net indebtedness R'million 2018
37. Investment in subsidiaries						
Direct material subsidiaries of Investec Limited						
Investec Bank Limited#	Banking	100,0%	13 600	13 600	1 365	1 535
Investec Asset Management Holdings Proprietary Limited #	Investment holding	80.0%	64	66	–	–
Investec Employee Benefits Holdings Proprietary Limited #	Investment holding	100.0%	726	746	–	–
Investec International Holdings (Gibraltar) Limited§	Investment holding	100.0%	218	243	–	–
Investec Securities Proprietary Limited #	Stockbroking	100.0%	157	157	–	(41)
Fedsure International Limited #	Investment holding	100.0%	316	316	–	(1)
Investec Property Group Holdings Proprietary Limited#	Investment holding	100.0%	*	*	–	–
Investec Markets Proprietary Limited#	Stockbroking	100.0%	500	–	–	–
Other subsidiaries			*	(50)	51	127
			15 581	**15 078**	**1 416**	**1 620**

* *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 business	Effective holding %
Investec Assurance Limited#	Insurance company	80.0%
Investec Asset Management Proprietary Limited#	Asset management	80.0%
Investec Fund Managers SA (RF) Limited#	Unit trust management	80.0%
Investec Bank (Mauritius) Limited**	Banking	100.0%
Investec Property Proprietary Limited#	Property trading	100.0%
Reichmans Holdings Proprietary Limited#	Trade and asset finance	100.0%
Investec Life Limited#	Long-term insurance	100.0%
Investec Property Fund Limited#	Engage in long-term immovable property investment	26.6%
Investec Import Solutions Proprietary Limited	Import logistics and trade finance	100.0%

\# *South Africa.*
** *Mauritius.*

Details of subsidiaries which are not material to the financial position of the group are not stated above.

The group considers that it has control over Investec Property Fund Limited as a result of the common directors with the holding company, control over the management company and the impact this has on the beneficial returns. Any change in the holding in Investment Property Fund Limited would require a reassessment of the facts and circumstances.

37. Investment in subsidiaries *(continued)*

The following subsidiaries are not consolidated for regulatory purposes:

- Investec Assurance Limited
- Investec Employee Benefit Holdings Proprietary Limited and its subsidiaries.

There are no subsidiaries which are consolidated for regulatory, but not for accounting purposes.

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
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 all of its securitisations are included in the risk management report on pages 57 and 58.

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 Asset Management and Wealth & Investment Funds

Management has concluded that the investment funds in the Asset Management and Wealth & Investment businesses 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.

At 31 March R'million	Group 2019	 2018
38. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Life Limited	502	628
Investec Assurance Limited	153 920	140 385
	154 422	141 013
Insurance liabilities, including unit-linked liabilities – Investec Life Limited	55	58
	154 477	**141 071**
Investec Life Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	557	686
	557	**686**
Investments shown above comprise:		
Interest-bearing securities	219	201
Stocks, shares and unit trusts	218	393
Deposits	120	92
	557	**686**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	153 596	139 181
Debtors and prepayments	272	476
Other assets	52	728
	153 920	**140 385**
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	50 131	37 717
Stocks, shares and unit trusts	100 544	90 001
Deposits	2 921	11 463
	153 596	**139 181**

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 the linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

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. The related liabilities are at fair value through profit and loss and were incorrectly classified as level 1 in the prior year and are now reflected as level 2.

At 31 March R'million	Group 2019	Group 2018
39. Other trading liabilities		
Deposits	2 186	1 613
Short positions		
– Equities	6 750	12 258
– Gilts	2 196	367
	11 132	**14 238**

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
40. Debt securities in issue				
Bonds and medium-term notes repayable:				
Less than three months	917	360	–	–
Three months to one year	2 092	2 865	–	–
One to five years	7 530	3 240	319	532
Greater than five years	1 789	420	–	–
	12 328	**6 885**	**319**	**532**

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
41. Other liabilities				
Settlement liabilities	2 938	2 986	7	11
Other non-interest-bearing liabilities	2 155	4 267	134	119
Other creditors and accruals*	4 500	4 493	724*	424
Dividends Rewards Programme liability^	623	564	–	–
ECL on off balance sheet commitments and guarantees	38	–	–	–
	10 254	**12 310**	**865**	**554**

^ *Dividend Rewards Programme liability has been included in other creditors and accruals in prior years.*
* *Includes loans from group companies*

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
42. Subordinated liabilities				
Issued by Investec Bank Limited				
IV08 fixed rate subordinated unsecured callable upper tier 2 bonds	–	200	–	–
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	–	200	–	–
IV019 indexed rate subordinated unsecured callable bonds	155	129	–	–
IV019A indexed rate subordinated unsecured callable bonds	371	368	–	–
IV025 variable rate subordinated unsecured callable bonds	1 000	1 000	–	–
IV026 variable rate subordinated unsecured callable bonds	750	750	–	–
IV030 indexed rate subordinated unsecured callable bonds	501	444	–	–
IV030A indexed rate subordinated unsecured callable bonds	424	420	–	–
IV031 variable rate subordinated unsecured callable bonds	500	500	–	–
IV032 variable rate subordinated unsecured callable bonds	–	810	–	–
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	1 533	1 182	–	–
IV038 variable rate subordinated unsecured callable bonds	350	350	–	–
IV039 indexed rate subordinated unsecured callable bonds	179	166	–	–
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	1 740	1 604	–	–
IV046 variable rate subordinated unsecured callable bonds	1 200	1 200	–	–
IV047 variable rate subordinated unsecured callable bonds	1 387	1 073	–	–
IV049 variable rate subordinated unsecured callable bonds	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	1 314	1 013	1 314	1 013
	15 857	**15 013**	**1 939**	**1 638**
Remaining maturity:				
In one year or less, or on demand	3 175	1 210	–	–
In more than one year, but not more than two years	885	3 114	625	–
In more than two years, but not more than five years	10 948	10 192	1 314	1 638
In more than five years	849	497	–	–
	15 857	**15 013**	**1 939**	**1 638**
Reconciliation from opening balance to closing balance:				
Opening balance	15 013	13 805	1 638	625
Subordinated debt raised	849	3 287	–	1 013
Repayment of subordinated debt	(1 210)	(2 205)	–	–
Consumer Price Index, effective interest rate adjustments and currency adjustments on foreign denominated bonds	1 205	126	301	–
Closing balance	**15 857**	**15 013**	**1 939**	**1 638**

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)*

IV08 fixed rate subordinated unsecured callable upper tier 2 bonds

Rnil (2018: R200 million) Investec Bank Limited IV08 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid six-monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called. The bonds were called on 30 April 2018.

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

Rnil (2018: R200 million) Investec Bank Limited IV09 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to three-month Jibar plus 3.75% until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above Jibar payable quarterly in arrears until called. The bonds were called on 30 April 2018.

IV019 indexed rate subordinated unsecured callable bonds

R155 million (2018: R129 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 2.65%. 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

R371 million (2018: R368 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

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.

IV026 variable rate subordinated unsecured callable bonds

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.

IV030 indexed rate subordinated unsecured callable bonds

R501 million (2018: R444 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.

IV030A indexed rate subordinated unsecured callable bonds

R424 million (2018: R420 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.

IV031 variable rate subordinated unsecured callable bonds

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.

IV032 variable rate subordinated unsecured callable bonds

Rnil (2018: R810 million) Investec Bank Limited IV032 locally registered subordinated unsecured callable bonds are due in August 2023. Interest is payable quarterly on 14 November, 14 February, 14 May, 14 August at a rate equal to the three-month JIBAR plus 2.95%. The maturity date is 14 August 2023, but the company has the option to call the bonds upon regulatory capital disqualification or from 14 August 2018.

42. Subordinated liabilities *(continued)*

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 disqualification 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.

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

$125 million Investec Bank Limited IV037 locally registered subordinated unsecured tier 2 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 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

R179 million (2018: R166 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest on these inflation-linked bonds is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV039 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.

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 of 11.97% 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.

42. Subordinated liabilities *(continued)*

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 of 12.50% up to and excluding 21 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 21 November 2021.

IV044 variable rate subordinated unsecured callable bonds

R240million 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 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 January 2022.

IV045 indexed rate subordinated unsecured callable bonds

R1 740 million (2018: R1 604 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest on these inflation-linked bonds 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.

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.

INVL03 variable rate subordinated unsecured callable bonds

R94 million Investec Limited 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.

INVL04 fixed 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.

42. Subordinated liabilities *(continued)*

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 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.

	Group		Company	
At 31 March **R'million**	**2019**	2018	**2019**	2018
43. Ordinary share capital				
Authorised				
450 000 000 (2018: 450 000 000) ordinary shares of R0.0002 each				
Issued				
318 904 709 (2018: 310 722 744) ordinary shares 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 2019 integrated annual report.

	Group		Company	
At 31 March **R'million**	**2019**	2018	**2019**	2018
44. Perpetual preference shares of holding company				
Authorised				
100 000 000 (2018: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
32 214 499 (2018: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums	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.

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
45. Share premium				
Share premium on ordinary shares	10 393	9 637	10 444	9 687
Share premium on perpetual preference shares (refer to note 44)	3 183	3 183	3 183	3 183
	13 576	**12 820**	**13 627**	**12 870**

46. Treasury shares

At 31 March	2019	2018
	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	2 160	1 831
	1 881	**1 552**
Number of Investec Limited ordinary shares held by subsidiaries	29 686 599	27 013 057
	Number	**Number**
Reconciliation of treasury shares		
At the beginning of the year	27 013 057	31 354 669
Purchase of own shares by subsidiary companies	14 012 480	11 116 399
Shares disposed of by subsidiaries	(11 338 938)	(15 458 011)
At the end of the year	**29 686 599**	**27 013 057**
	R'million	**R'million**
Market value of treasury shares	2 720	2 493

47. Other Additional Tier 1 securities in issue

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
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	–	–	–
	1 010	**900**	**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 12 August, 12 November, 12 February and 12 May at a rate equal to the three-month JIBAR plus 4.25%. There is no maturity date but the issuer has the option to redeem on 12 August 2024 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 and 22 December 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 the 26 March 2019 and 29 March 2019 respectively. Interest is payable quarterly on the 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 the 26 June 2024 and on any interest payment date thereafter. The interest is payable at the option of the issuer.

At 31 March R'million	Group 2019	Group 2018
48. Non-controlling interests		
Perpetual preference shares issued by Investec Bank Limited	1 534	1 534
Non-controlling interests in partially held subsidiaries	9 922	9 503
	11 456	**11 037**

Perpetual preference shares issued by Investec Bank Limited

Authorised

70 000 000 (2018: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.

Issued

15 447 630 (2018: 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 Proprietary Limited group		Investec Property Fund Limited (IPF) group	
	2019	2018	**2019**	2018
Non-controlling interests (NCI) (%)	20.0%	17.0%	73.4%	73.2%
Summarised financial information (R'million)				
Total assets	157 223	143 767	21 670	19 953
Total liabilities	155 730	142 131	8 539	7 309
Revenue	3 360	3 223	1 844	1 269
Profit before taxation	1 295	1 275	1 441	1 258
Carrying amount of NCI	313	287	9 613	9 216
Dividends paid to NCI	180	122	748	712
Profit allocated to NCI	176	156	1 050	903

During the year the group sold an additional 3% of its Asset Management business to senior management of the business, on the exercise of the option granted in July 2013 as part of the sale of the original 15% stake.

The reduction in the shareholding of IPF is as a result of reinvestment of dividends by non-controlling interests.

	Group			
	2019		2018	
	Total future minimum payments	**Present value**	Total future minimum payments	Present value
49. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	1 580	1 337	1 274	1 051
One to five years	1 210	1 060	1 190	1 040
	2 790	**2 397**	**2 464**	**2 091**
Unearned finance income	**393**		**373**	

At 31 March 2019 there were no unguaranteed residual values (31 March 2018: Rnil).

At 31 March R'million	Group 2019	Group 2018	Company 2019	Company 2018
50. Notes to the cash flow statement				
Profit before taxation adjusted for non-cash items:				
Profit before taxation	**8 074**	**7 718**	**2 386**	**2 533**
Adjustment for non-cash items:				
Impairment of goodwill	3	–	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	301	227	–	–
Amortisation of acquired intangibles	51	51	–	–
Expected credit loss impairment charges excluding ECL on cash and cash equivalents	759	729	–	–
Share of post taxation profit of associates	(1 163)	(777)	–	–
Gain on partial disposal of subsidiary	–	–	(357)	(119)
Share-based payment charges	650	656	–	–
Fair value movement from revaluation of investment properties	617	(445)	–	–
Additional costs on acquisition of subsidiary	9	100	–	–
	9 301	**8 259**	**2 029**	**2 414**
(Increase)/decrease in operating assets				
Loans and advances to banks	(1 203)	8 782	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 002	6 293	–	–
Sovereign debt securities	1 380	(14 508)	–	–
Bank debt securities	(4 660)	(505)	–	(350)
Other debt securities	(2 054)	1 706	–	–
Derivative financial instruments	4 962	(2 653)	–	–
Securities arising from trading activities	(7 790)	2 031	–	–
Investment portfolio	(2 025)	(318)	7	(326)
Loans and advances to customers	(14 854)	(23 665)	–	–
Own originated loans and advances to customers securitised	(42)	1 043	–	–
Other loans and advances	(64)	45	–	–
Other securitised assets	5	(126)	–	–
Other assets	(297)	(894)	5	(40)
Investment properties	397	(324)	–	–
Assurance assets	(13 406)	(11 475)	–	–
Non-current assets held for sale	–	456	–	–
	(36 649)	**(34 112)**	**12**	**(716)**
Increase/(decrease) in operating liabilities				
Deposits by banks	3 942	(7 640)	–	–
Derivative financial instruments	(4 796)	3 349	–	–
Other trading liabilities	(3 106)	104	–	–
Repurchase agreements and cash collateral on securities lent	6 590	729	–	–
Customer accounts (deposits)	17 260	19 878	–	–
Debt securities in issue	5 443	(2 053)	(213)	(50)
Liabilities arising in securitisation of own originated loans and advances	(554)	763	–	–
Other liabilities	84	(796)	311	177
Assurance liabilities	13 406	11 475	–	–
	38 269	**25 809**	**98**	**127**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

At 31 March R'million	Group 2019	2018
51. Related-party transactions		
Compensation to the board of directors and other key management personnel		
Short-term employee benefits	305	616
Share-based payments	112	116
For information on overall compensation to key management personnel, refer to the remuneration report in volume one of Investec group's 2019 integrated annual report.		
Transactions, arrangements and agreements involving directors and others		
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:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	620	448
Increase in loans	226	264
Repayment of loans	(5)	(83)
Exchange adjustments	4	(9)
At the end of the year	**845**	**620**
Guarantees		
At the beginning of the year	7	102
Guarantees cancelled	252	5
Additional guarantees granted	–	(103)
Exchange adjustments	(2)	3
At the end of the year	**257**	**7**
Deposits		
At the beginning of the year	(475)	(608)
Increase in deposits	(231)	(210)
Utilisation of deposits	28	338
Exchange adjustments	1	5
At the end of the year	**(677)**	**(475)**

The above transactions were made in the ordinary course of business and are on the same terms, including interest rates and security, as for comparable arm's length 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.

At 31 March R'million	Group 2019	 2018
51. Related-party transactions *(continued)*		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	51	817
Reverse repurchase agreements and cash collateral on securities borrowed	370	297
Loans and advances to customers	269	222
Other debt securities	695	633
Derivative financial instruments	405	350
Other assets	419	436
Liabilities		
Deposits from banks	342	311
Derivative financial instruments	59	49
Other liabilities	262	132
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).		
Transactions with Investec plc and its subsidiaries		
Income statement		
Interest income	47	42
Interest expense	9	9
In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2019, this resulted in a net receipt from Investec plc group of R690.9 million (2018: R494.0 million).		
Transactions with associates		
Amounts due from associates and its subsidiaries	3 649	3 386
Interest income from associates	122	206
Interest expense to associates	91	22
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.

At 31 March R'million	Group 2019	Group 2018

52. Commitments

	2019	2018
Undrawn facilities	55 970	47 856
	55 970	**47 856**

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.

	2019	2018
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	117	130
One to five years	307	301
Greater than five years	–	68
	424	**499**

At 31 March 2019, the group was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years the annual escalation clauses range between 7.0% and 10.0% per annum. The majority of the leases have renewal options.

	2019		2018	
At 31 March R'million	**Carrying amount of pledged asset**	**Carrying value of related liability repurchase agreements and cash collateral on securities lent**	Carrying amount of pledged asset	Carrying value of related liability repurchase agreements and cash collateral on securities lent
Group				
Sovereign debt securities	5 977	5 385	5 239	4 977
Bank debt securities	2 259	2 106	2 275	1 803
Other debt securities	–	–	855	645
Securities arising from trading activities	4 542	4 542	94	94
	12 778	**12 033**	**8 463**	**7 519**

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 repledge the assets, they are classified on the balance sheet as repurchase agreements and cash collateral on securities borrowed.

At 31 March R'million	Group 2019	2018
53. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	15 311	16 832
	15 311	**16 832**

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

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

54. Hedges

Group

The group uses derivatives for 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. Once aggregated and netted, 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, Central 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 dependant 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 the 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 were 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/(losses) on hedging instrument	Current year fair value gains/(losses) on hedging instrument	Cumulative fair value gains/(losses) on hedged item*	Current year fair value gains/(losses) on hedged item
Group						
2019						
Interest rate swaps	**Bonds**	**(729)**	**(404)**	**(177)**	**329**	**(13)**
2018						
Interest rate swaps	Bonds	84	(201)	36	257	180
Company						
2019						
Interest rate swaps	**Bonds**	**12**	**(12)**	**6**	**12**	**(6)**
2018						
Interest rate swaps	Bonds	9	9	3	(11)	(3)

* *Changes 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.

54. Hedges *(continued)*

Hedged items

At 31 March 2019^ R'million	Carrying amount of the hedged item
Assets	
Sovereign debt securities	46 181
Bank debt securities	6 515
Other debt securities	8 112
Liabilities	
Subordinated liabilities	429

Maturity analysis of hedged item

At 31 March 2019^ 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
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**

^ *As permitted by IFRS 9, the group has elected not to restate comparative annual financial statements.*

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 arising from changes in base interest 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 in which the hedged cash flows are expected to occur and affect income statement
Group			
2019			
Cross-currency swaps	Bonds	(1 251)	Three months
Forward exchange contracts	Dividends	78	Three months
2018			
Cross-currency swaps	Bonds	(518)	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.

Realisations to the income statement for cash flow hedges of (R490 million) (2018: R1.2 billion) are included in net interest income.

There are 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 table below 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 page 67.

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	> Five years	**Total**
Group								
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**

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	> Five years	Total
Group								
2018								
Liabilities								
Deposits by banks	423	7 076	2 261	544	7 184	10 202	274	27 964
Derivative financial instruments	15 907	–	–	–	–	–	–	15 907
– held-for-trading	15 851	–	–	–	–	–	–	15 851
– held for hedging risk	56	–	–	–	–	–	–	56
Other trading liabilities	14 238	–	–	–	–	–	–	14 238
Repurchase agreements and cash collateral on securities lent	917	4 737	4	5	606	1 385	741	8 395
Customer accounts (deposits)	119 039	34 974	67 560	25 142	39 906	36 207	2 243	325 071
Debt securities in issue	–	277	86	395	2 511	3 248	420	6 937
Liabilities arising on securitisation of own originated loans and advances	–	77	64	80	760	1 437	518	2 936
Other liabilities	4 757	1 157	1 959	2 623	393	803	623	12 315
Subordinated liabilities	–	477	168	276	502	13 932	851	16 206
Total on balance sheet liabilities	**155 281**	**48 775**	**72 102**	**29 065**	**51 862**	**67 214**	**5 670**	**429 969**
Contingent liabilities	2 797	–	8 194	1 145	2 668	1 792	1 450	18 046
Commitments	5 473	392	5 791	1 750	2 256	12 368	19 826	47 856
Total liabilities	**163 551**	**49 167**	**86 087**	**31 960**	**56 786**	**81 374**	**26 946**	**495 871**

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	> Five years	Total
Company								
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**
2018								
Liabilities								
Debt securities in issue	–	3	–	3	6	532	–	544
Other liabilities	–	26	–	40	–	–	489	555
Subordinated liabilities	–	8	19	27	53	1 843	–	1 950
Total on balance sheet liabilities	**–**	**37**	**19**	**70**	**59**	**2 375**	**489**	**3 049**

56. Offsetting

At 31 March R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			**Related amounts not offset**	
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**

56. Offsetting *(continued)*

At 31 March R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
Group					
2018					
Assets					
Cash and balances at central banks	9 187	–	9 187	–	9 187
Loans and advances to banks	24 198	(4 578)	19 620	–	19 620
Non-sovereign and non-bank cash placements	9 993	–	9 993	–	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	–	24 217	(254)	23 963
Sovereign debt securities	62 403	–	62 403	(5 239)	57 164
Bank debt securities	7 965	–	7 965	(2 275)	5 690
Other debt securities	10 390	–	10 390	(855)	9 535
Derivative financial instruments	18 066	(5 503)	12 563	(4 837)	7 726
Securities arising from trading activities	12 289	–	12 289	(94)	12 195
Investment portfolio	6 928	–	6 928	–	6 928
Loans and advances to customers	251 029	(1 957)	249 072	–	249 072
Own originated loans and advances to customers securitised	7 630	–	7 630	–	7 630
Other loans and advances	265	–	265	–	265
Other securitised assets	299	–	299	–	299
Other assets	13 305	–	13 305	–	13 305
	458 164	**(12 038)**	**446 126**	**(13 554)**	**432 572**
Liabilities					
Deposits by banks	29 968	(2 175)	27 793	–	27 793
Derivative financial instruments	23 813	(7 906)	15 907	(4 837)	11 070
Other trading liabilities	14 238	–	14 238	–	14 238
Repurchase agreements and cash collateral on securities lent	8 395	–	8 395	(5 105)	3 290
Customer accounts (deposits)	323 780	(1 957)	321 823	–	321 823
Debt securities in issue	6 885	–	6 885	–	6 885
Liabilities arising on securitisation of own originated loans and advances	2 274	–	2 274	–	2 274
Other liabilities	12 310	–	12 310	–	12 310
Subordinated liabilities	15 013	–	15 013	–	15 013
	436 676	**(12 038)**	**424 638**	**(9 942)**	**414 696**

57. Transition disclosures

Overview of the group's IFRS 9 transition impact

The adoption of IFRS 9 has resulted in the following day one impact for Investec Limited.

Group balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions increased by R655 million from R1.5 billion as at 31 March 2018 to R2.2 billion as at 1 April 2018. This is driven by an increase in Stage 1, Stage 2 and Stage 3 impairments of R809 million, partially offset by a reduction of R154 million as a result of the changes in classification and measurement of certain of the group's financial assets to fair value. The increase in impairment allowance and provisions reduced the common equity tier 1 (CET 1) ratio by 15bps on a fully loaded basis, or 4bps on a day one impact transitional basis.

Changes in classification and measurement of certain financial assets

In addition, changes in classification and measurement of certain of the group's other financial assets resulted in a decrease to equity of R423 million (post taxation), with a 16bps impact on the CET 1 ratio.

Taken together, the adoption of IFRS 9 resulted in a decrease in Investec Limited's transitional CET 1 ratio of 20bps from 10.2% to 10.0%, in line with the group's target and in excess of minimum regulatory requirements. Investec Limited confirmed to the SARB that it will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations.

Classification and measurement overview

From 1 April 2018, the group will classify all of its financial assets which fall within the scope of IFRS 9 in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL).

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.

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 as circumstances change. These assets are accounted for at FVOCI.
- **Hold to sell/managed on 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.

Solely payments 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.

Designation at fair value

The adoption of IFRS 9 also necessitates a review of the designation of financial instruments at fair value. IFRS 9 requires that the designation is revoked where there is no longer an accounting mismatch at 1 April 2018 and permits designations to be revoked or additional designations created at 1 April 2018 if there are accounting mismatches at that date.

As a result:

- fair value designations for financial liabilities have been created where there is an accounting mismatch, as permitted by IFRS 9; and
- fair value designations have been revoked for certain assets where accounting mismatches no longer exist as a result of the adoption of the classification rules of IFRS 9.

57. Transition disclosures *(continued)*

Reconciliation of IAS 39 carrying amount to IFRS 9 carrying amount

The table below reflects the impact of IFRS 9 implementation on the balance sheet lines and shows movements between amortised cost and fair value:

Only assets and liabilities which have changed are shown.

R'million	IAS 39 carrying amount at 31 March 2018	Reclassifi-cations in	Reclassifi-cations out	Remeasure-ments	ECL	IFRS 9 carrying amount at 1 April 2018
Assets						
Financial assets at amortised cost (previously loans and receivables and held-to-maturity)						
Cash and balances at central banks	9 187	–	–	–	(7)	9 180
Loans and advances to banks	18 325	1 295[2]	–	–	(3)	19 617
Non-sovereign and non-bank cash placements	9 419	–	–	–	(21)	9 398
Reverse repurchase agreements and cash collateral on securities borrowers	11 751	–	–	–	*	11 751
Sovereign debt securities	3 463	1 144[2]	–	(36)	(3)	4 568
Bank debt securities	1 829	1 727[2]	–	(15)	(3)	3 538
Other debt securities	1 229	2 255[2]	–	20	(4)	3 500
Loans and advances to customers	231 822	–	(3 623)[1]	–	(654)	227 545
Own originated loans and advances to customers securitised	7 630	–	–	–	(5)	7 625
Other assets	8 072	–	–	–	(13)	8 059
Financial assets at fair value through profit or loss (previously trading and designated inception)						
Loans and advances to banks	1 295	–	(1 295)[2]	–	–	–
Sovereign debt securities	41 050	–	(29 346)[3]	–	–	11 704
Bank debt securities	–	298[4]	–	–	–	298
Other debt securities	109	952[4]	–	–	–	1 061
Derivative financial instruments	12 563	–	(22)	–	–	12 541
Investment portfolio	6 925	1 642[1]	–	(460)	–	8 107
Loans and advances to customers	17 250	2 004[1]	–	–	(39)	19 215
Financial assets at fair value through other comprehensive income (previously available-for-sale)						
Sovereign debt securities	17 890	29 345[3]	(1 144)[2]	19	(19)	46 091
Bank debt securities	6 136	–	(2 025)[2 & 4]	7	(7)	4 111
Other debt securities	9 052	–	(3 208)[2 & 4]	3	(3)	5 844
Liabilities						
Financial liabilities at amortised cost						
Other liabilities	6 302	–	–	–	30	6 332
Financial liabilities at fair value						
Customer accounts (deposits)	39 485	–	–	(32)	–	39 453

1 *Certain loans and advances to customers which were previously classified as amortised cost but which do not meet the SPPI test required for amortised cost classification under IFRS 9 have been reclassified to FVPL.*
2 *Certain debt instruments previously held as available-for-sale or designated at FVPL under IAS 39, have been reclassified to amortised cost under IFRS 9 as it is the intention to hold these specific assets to collect contractual cash flows which meet the SPPI test.*
3 *Certain sovereign debt securities of R29.3 billion have been reclassified to FVOCI as a dual business model was applicable to these assets.*
4 *Certain debt securities previously held as available-for-sale which do not meet the SPPI test have been reclassified to FVPL.*
* *Less than R1 million.*

57. Transition disclosures *(continued)*

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at 1 April 2018:

R'million	Loan loss allowance and provision IAS 39 and and IAS 37 at 31 March 2018	Reclassifi-cation	Remeasure-ment	**ECL under IFRS 9 at 1 April 2018**	**Total increase in impairment allowances**
Assets					
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)					
Cash and balances at central banks	–	–	(7)	(7)	(7)
Loans and advances to banks	–	–	(3)	(3)	(3)
Non-sovereign and non-bank cash placements	–	–	(21)	(21)	(21)
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	*	*	*
Sovereign debt securities	–	–	(3)	(3)	(3)
Bank debt securities	–	–	(3)	(3)	(3)
Other debt securities	–	–	(4)	(4)	(4)
Loans and advances to customers	(1 430)	154	(691)	(1 967)	(537)
Own originated loans and advances to customers securitised	(6)	–	(5)	(11)	(5)
Other loans and advances	(25)	–	–	(25)	–
Other assets	(53)	–	(13)	(66)	(13)
Available for sale (IAS 39)/Financial assets FVOCI (IFRS 9)					
Sovereign debt securities	–	–	(19)	(19)	(19)
Bank debt securities	–	–	(7)	(7)	(7)
Other debt securities	–	–	(3)	(3)	(3)
Liabilities					
Off balance sheet exposures (recognised in other liabilities)					
Guarantees	–	–	(5)	(5)	(5)
Committed facilities related to loans and advances to customers	–	–	(25)	(25)	(25)
Total	**(1 514)**	**154**	**(809)**	**(2 169)**	**(655)**

* *Less than R1 million.*

57. Transition disclosures *(continued)*

The impact of transition to IFRS 9 on equity is as follows:

Only components of equity which have changed are shown.

R'million	Other reserves: Own credit risk reserve	Other reserves: Availalbe-for-sale reserve/ Fair value reserve	Retained income	**Total affected equity components**
Closing balance under IAS 39 at 31 March 2018	**–**	**344**	**26 948**	**27 292**
	23	37	(954)	(894)
Recognition of ECL including those measured at FVOCI	–	29	(655)	(626)
Reclassification of loans from amortised cost to FVPL	–	–	(617)	(617)
Reclassification of debt instruments FVPL to FVOCI	–	29	(29)	–
Reclassification of debt instruments from OCI to FVPL	–	24	(24)	–
Reclassification of debt instruments from OCI to amortised cost	–	(31)	–	(31)
Re-measurement of financial liabilities designated at fair value	–	–	32	32
Transfer of fair value adjustment attributable to own credit risk	32	–	(32)	–
Deferred taxation	(9)	(14)	371	348
Opening balance under IFRS 9 at 1 April 2018	**23**	**381**	**25 994**	**26 398**

Overview of the company's IFRS 9 transition impact

There was no measurement and classification impact on assets and liabilities on adoption of IFRS 9.

58. IAS 39 supplementary information

The requirements of IFRS 9 'Financial Instruments' were adopted from 1 April 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group is not restating comparatives on initial application as permitted by IFRS 9.

The accounting policies related to financial instruments as at 31 March 2018 under IAS 39 'Financial Instruments: Recognition and Measurement' are noted below:

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 timeframe established by market convention are recorded at trade date.

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. Financial instruments classified as held-for trading or designated as held at 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 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 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.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest rate method, less impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held-for-trading and those that the group designates as at fair value through profit or loss
- Those that the group designates as available-for-sale
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows over the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'. Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

58. IAS 39 supplementary information
(continued)

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.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain debt instruments that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets. Financial assets classified as available-for-sale are measured at fair value, with unrealised gains or losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement. Interest earned while holding available-for-sale financial assets is reported in the income statement as interest income using the effective interest rate. Dividends earned while holding available-for-sale financial assets are recognised in the income statement when the right to payment has been established. If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified. Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as nontrading, held-for-trading or designated as held at fair value through profit or loss. Non-trading liabilities are recorded at amortised cost applying the effective interest rate method. Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss are measured at fair value. All changes in fair value of financial liabilities are recognised in the income statement.

Day 1 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 rerecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for impairment at each balance sheet date and when an indicator of impairment is identified. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (i.e. exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment. Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual

58. IAS 39 supplementary information
(continued)

agreement. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement. To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

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, i.e. 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

The group may reclassify, in rare circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative financial 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 profits 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 largely 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 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).

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. Where the instrument does not meet the definition of a derivative due to its value being dependent on non-financial variables, it is accounted for as an executory contract.

58. IAS 39 supplementary information *(continued)*

Selected 2018 credit risk disclosures

The credit risk disclosures that follow were included in Investec Limited group and company annual financial statements for 2018. These do not reflect the adoption of IFRS 9. The tables have been shown below and not adjacent to the current 2019 credit risk tables as these tables reflect IAS 39 disclosures and as a result are not directly comparable to the 2019 tables, which are disclosed on an IFRS 9 basis.

An analysis of gross credit and counterparty exposures

R'million	At 31 March 2018
Cash and balances at central banks	9 165
Loans and advances to banks	19 620
Non-sovereign and non-bank cash placements	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217
Sovereign debt securities	62 403
Bank debt securities	7 965
Other debt securities	10 390
Derivative financial instruments	6 858
Securities arising from trading activities	698
Loans and advances to customers (gross)	250 500
Own originated loans and advances to customers securitised (gross)	7 636
Other loans and advances (gross)	290
Other assets	3 363
Total on-balance sheet exposures	**413 098**
Guarantees^	10 591
Contingent liabilities, committed facilities and other	54 929
Total off-balance sheet exposures	**65 520**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**478 618**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

58. IAS 39 supplementary information *(continued)*

A further analysis of our on-balance sheet credit and counterparty exposures

R'million	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2018				
Cash and balances at central banks	9 165	22		9 187
Loans and advances to banks	19 620	–		19 620
Non-sovereign and non-bank cash placements	9 993	–		9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	–		24 217
Sovereign debt securities	62 403	–		62 403
Bank debt securities	7 965	–		7 965
Other debt securities	10 390	–		10 390
Derivative financial instruments	6 858	5 705		12 563
Securities arising from trading activities	698	11 591		12 289
Investment portfolio	–	6 928	1	6 928
Loans and advances to customers	250 500	(1 428)	2	249 072
Own originated loans and advances to customers securitised	7 636	(6)	2	7 630
Other loans and advances	290	(25)	2	265
Other securitised assets	–	299	3	299
Interest in associated undertakings	–	6 495	1	6 495
Deferred taxation assets	–	983		983
Other assets	3 363	9 942	4	13 305
Property and equipment	–	2 973		2 973
Investment properties	–	19 439		19 439
Goodwill	–	211		211
Intangible assets	–	412		412
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	141 071		141 071
Total on-balance sheet exposures	**413 098**	**204 612**		**617 710**

1 *Largely relates to exposures that are classified as investment risk in the banking book.*
2 *Largely relates to impairments.*
3 *Largely cash in the securitised vehicles.*
4 *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

58. IAS 39 supplementary information *(continued)*

An analysis of our core loans and advances, asset quality and impairments

Core loans and advances comprise:

- Loans and advances to customers as per the balance sheet
- Own originated loans and advances to customers securitised as per the balance sheet.

R'million	At 31 March 2018
Loans and advances to customers as per the balance sheet	249 072
Add: own originated loans and advances securitised as per the balance sheet	7 630
Net core loans and advances to customers	**256 702**

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

R'million	At 31 March 2018
Gross core loans and advances to customers	**258 136**
Total impairments	**(1 434)**
Specific impairments	(795)
Portfolio impairments	(639)
Net core loans and advances to customers	**256 702**
Average gross core loans and advances to customers	**247 786**
Current loans and advances to customers	253 868
Past due loans and advances to customers (1 – 60 days)	1 040
Special mention loans and advances to customers (1 – 90 days)	367
Default loans and advances to customers	2 861
Gross core loans and advances to customers	**258 136**
Current loans and advances to customers	253 868
Default loans that are current and not impaired	214
Gross core loans and advances to customers that are past due but not impaired	2 185
Gross core loans and advances to customers that are impaired	1 869
Gross core loans and advances to customers	**258 136**
Total income statement charge for impairments on core loans and advances	**(701)**
Gross default loans and advances to customers	2 861
Specific impairments	(795)
Portfolio impairments	(639)
Defaults net of impairments	**1 427**
Aggregate collateral and other credit enhancements on defaults	3 552
Net default loans and advances to customers (limited to zero)	**–**
Ratios	
Total impairments as a % of gross core loans and advances to customers	0.56%
Total impairments as a % of gross default loans	50.12%
Gross defaults as a % of gross core loans and advances to customers	1.11%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.56%
Net defaults as a % of net core loans and advances to customers	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.28%

58. IAS 39 supplementary information *(continued)*

An age analysis of past due and default core loans and advances to customers

R'million	At 31 March 2018
Default loans that are current	583
1 – 60 days	1 581
61 – 90 days	160
91 – 180 days	234
181 – 365 days	425
> 365 days	1 285
Past due and default core loans and advances to customers (actual capital exposure)	**4 268**
1 – 60 days	446
61 – 90 days	22
91 – 180 days	34
181 – 365 days	134
> 365 days	1 035
Past due and default core loans and advances to customers (actual amount in arrears)	**1 671**

A further age analysis of past due and default core loans and advances to customers

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 31 March 2018							
Watchlist loans neither past due nor impaired							
Total capital exposure	214	–	–	–	–	–	214
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 453	110	76	131	415	2 185
Amount in arrears	–	444	21	6	94	409	974
Gross core loans and advances to customers that are impaired							
Total capital exposure	369	128	50	158	294	870	1 869
Amount in arrears	–	2	1	28	40	626	697

58. IAS 39 supplementary information *(continued)*

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on total capital exposure)

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**1 040**	**–**	**–**	**–**	**–**	**1 040**
Special mention	**–**	**282**	**85**	**–**	**–**	**–**	**367**
Special mention (1 – 90 days)	–	282	2	–	–	–	284
Special mention (61 – 90 days and item well secured)	–	–	83	–	–	–	83
Default	**583**	**259**	**75**	**234**	**425**	**1 285**	**2 861**
Sub-standard	214	131	25	76	131	415	992
Doubtful	369	128	50	158	294	870	1 869
Total	**583**	**1 581**	**160**	**234**	**425**	**1 285**	**4 268**

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on actual amount in arrears)

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**417**	**–**	**–**	**–**	**–**	**417**
Special mention	**–**	**10**	**20**	**–**	**–**	**–**	**30**
Special mention (1 – 90 days)	–	10	–	–	–	–	10
Special mention (61 – 90 days and item well secured	–	–	20	–	–	–	20
Default	**–**	**19**	**2**	**34**	**134**	**1 035**	**1 224**
Sub-standard	–	17	1	6	94	409	527
Doubtful	–	2	1	28	40	626	697
Total	**–**	**446**	**22**	**34**	**134**	**1 035**	**1 671**

58. IAS 39 supplementary information *(continued)*

An analysis of core loans and advances to customers

R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2018								
Current core loans and advances	**253 868**	**–**	**–**	**253 868**	**–**	**(630)**	**253 238**	**–**
Past due (1 – 60 days)	**–**	**1 040**	**–**	**1 040**	**–**	**(4)**	**1 036**	**417**
Special mention	**–**	**367**	**–**	**367**	**–**	**(2)**	**365**	**30**
Special mention (1 – 90 days)	–	284	–	284	–	(2)	282	10
Special mention (61 – 90 days and item well secured)	–	83	–	83	–	–	83	20
Default	**214**	**778**	**1 869**	**2 861**	**(795)**	**(3)**	**2 063**	**1 224**
Sub-standard	214	778	–	992	–	(3)	989	527
Doubtful	–	–	1 869	1 869	(795)	–	1 074	697
Total	**254 082**	**2 185**	**1 869**	**258 136**	**(795)**	**(639)**	**256 702**	**1 671**

An analysis of core loans and advances to customers and impairments by counterparty type

R'million	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 31 March 2018						
Current core loans and advances	**170 728**	**52 356**	**18 229**	**5 720**	**6 835**	**253 868**
Past due (1 – 60 days)	**870**	**51**	**–**	**–**	**119**	**1 040**
Special mention	**191**	**170**	**–**	**–**	**6**	**367**
Special mention (1 – 90 days)	114	170	–	–	–	284
Special mention (61 – 90 days and item well secured)	77	–	–	–	6	83
Default	**2 233**	**273**	**–**	**119**	**236**	**2 861**
Sub-standard	872	120	–	–	–	992
Doubtful	1 361	153	–	119	236	1 869
Total gross core loans and advances to customers	**174 022**	**52 850**	**18 229**	**5 839**	**7 196**	**258 136**
Total impairments	**(723)**	**(480)**	**(19)**	**(63)**	**(149)**	**(1 434)**
Specific impairments	(487)	(99)	–	(60)	(149)	(795)
Portfolio impairments	(236)	(381)	(19)	(3)	–	(639)
Net core loans and advances to customers	**173 299**	**52 370**	**18 210**	**5 776**	**7 047**	**256 702**

GLOSSARY

The following abbreviations have been used throughout this report:

AGM	Annual general meeting
ALCO	Asset and Liability Committee
ANC	African National Congress
BCBS	Basel Committee of Banking Supervision
BIS	Bank for International Settlements
BoE	Bank of England
BOM	Bank of Mauritius
BSE	Botswana Stock Exchange
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CMD	Capital Markets Day
CVA	Credit value adjustment
DCF	Discounted cash flow
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC Remco	DLC Remuneration Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit losses
ERV	Expected rental value
ESG	Environmental, social and governance
EU	European Union
FCA	Financial Conduct Authority
FIRB	Foundation Internal Ratings-Based
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross Domestic Product
HNW	High net worth
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBL ERC	IBL Executive Risk Committee
IBP	Investec Bank plc
IFRS	International Financial Reporting Standard
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LSE	London Stock Exchange
MD	Managing Director
NCI	Non-controlling interests
NSFR	Net Stable Funding Ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter
PACCC	Prudential assurance conduct and controls committee
PD	Probability of default
Policy ERRF	Policy Executive Risk Review Forum
PRA	Prudential Regulation Authority
PRASA	Passenger Rail Agency of South Africa
ROE	Return on equity
ROU	Right use of asset
S&P	Standard & Poor's
SAA	South African Airways
SARS	South African Revenue Service
SDGs	Sustainable Development Goals
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
UKLA	United Kingdom Listing Authority
WACC	Weighted average cost of capital
YES	Youth Employment Service

Adjusted operating profit

Operating income less operating costs and depreciation on operating leased assets. This amount is before impairment of goodwill, amortisation of acquired intangibles, and non-operating items, but after other non-controlling interests

Alternative performance measures

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. The definitions and basis for calculation of these measures are provided on this definitions page.

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 Limited's registered address.

Annuity income

Net interest income plus net annuity fees and commissions

Cash and near cash

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

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 47

Cost to income ratio

Operating costs divided by operating income before ECL (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests)

Coverage ratio

ECL divided by gross core loans and advances subject to ECL

Credit loss ratio

Expected credit loss impairment charges (ECL) on gross core loans and advances as a percentage of average gross core loans and advances subject to ECL

Gearing ratio

Total assets excluding assurance assets to total equity

Market capitalisation

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

Third party assets under administration

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

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Directorate

Refer to the directors' biographies, on pages 98 to 103.

Contact details

For contact details for Investec Limited offices refer to page 270.

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