Out of the Ordinary

Investec

Disclosure Report

Investec Bank Limited group
Basel Pillar III
annual disclosure report

2018

The Investec Bank Limited group Pillar III report covers the period 1 April 2017 to 31 March 2018

Scope and framework

This document encompasses Investec Bank Limited group, including both regulated and unregulated entities, which is equivalent to the scope of the consolidated banking group as defined by the South African Reserve Bank for consolidated regulatory reporting purposes. In terms of the Regulations, Investec is required to disclose in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enable users of that information to make an accurate assessment of the group's financial condition, including its capital adequacy position, financial performance, business activities, risk profile and risk-management practices. On 28 January 2015 the Basel Committee on Banking Supervision (BCBS) issued revised Pillar 3 disclosure requirements – phase one (the revised disclosures). The revised disclosures incorporate standardised templates and tables that superseded the Pillar 3 disclosure requirements issued in Regulation 43. The BCBS has completed the second phase of the revised disclosures tabled in the document: Pillar 3 disclosure requirements – consolidated and enhanced framework in March 2017 (the enhanced revised disclosures) and is effective in South Africa from 1 January 2018. The revised disclosures were legislated in South Africa by the Banks Act Directive 11 of 2015 and the enhanced revised disclosures in Directive 01 of 2018. For disclosure requirements which are new and/or depend on the implementation of another BCBS policy framework, the implementation date for Investec's Pillar 3 disclosures has been aligned with the implementation date of that framework.

Pillar 3 reports are published on Investec's Investor Relations website in line with the required frequency of disclosures per the respective frameworks and is done for both the group and the bank.

Assurance and policy

In line with Investec's Pillar 3 disclosures policy, all public announcements and releases; annual, interim and quarterly disclosures are reviewed and approved by the board, executives, management, and annually by external audit prior to their release. A summary of the disclosure policy and the board attestation of this process is provided in section 1. In addition, the external auditors report is provided in section 2 that sets out the respective review conclusions and scope of work performed.

Quantitative and qualitative disclosures

Pillar 3 disclosures are published in line with disclosure dates that are commensurate with the group's financial reporting disclosure timelines and is subject to the same governance framework as tabled in the Investec Market Communication and Disclosure Policy. The following regulatory risk measurement approaches are applied by Investec:

- Credit risk (including securitisation risk): The standardised approach (TSA)
- Market risk: Combination of the standardised (TSA) and internal model method (IMM) approaches
- Operational risk: The standardised approach (TSA)
- Equity risk in the banking book: Market-based approach – simple risk weight method (MSRM)
- Counterparty credit risk: Current exposure method (CEM)

In this regard, all revised tables and disclosures may not be relevant to Investec and are excluded from the Pillar 3 reports. Exclusions are listed in Annexure A page 128 of this report for completeness purposes. Annexure A also lists all required qualitative disclosures and references specific pages in section 3 of this report which is an extract of the Investec Bank Limited group and company annual financial statements risk management section that sets out information in relation to key processes, controls, methodologies and overall risk management principles of the group. Annual disclosures related to remuneration are reported separately from this Pillar 3 report and are contained on pages 108 to 123 of the Investec Bank Limited group and company annual financial statements. The quantitative tables and templates that Investec disclose are depicted in section 4 of this report.

Cross reference tools

1

Page references

Refers readers to information elsewhere in this report

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Website

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

3

Audited information

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

Abbreviations

In the sections that follow, the following abbreviations are used on numerous occasions:

ABCP	Asset-backed commercial programme
ALCO	Asset and liability committee
Anet	Represent the adjusted add-on for all contracts subject to the bilateral netting contract
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BoE	Bank of England
BOM	Bank of Mauritius
BRCC	Board risk and capital committee
CCF	Credit conversion factor
CCP	Central counterparties
CCR	Counterparty credit risk
CEM	Current exposure method approach related to OTC exposures
CLF	Credit liquidity facility
CLN	Credit-linked notes
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
DSIB	Domestically significant important bank
E*	E star is the amount to which the capital requirements (RW%) are applied to. It is the net credit equivalent amount, after having applied CRM techniques and credit conversion factors (CCF%)
EAD	Exposure at default
ECAI	Eligible credit assessment institution
ECB	European Central Bank
ERRF	Executive risk review forum
FCA	Financial Conduct Authority
GRCC	Group risk and capital committee
HQLA	High-quality liquid asset
IBM	Investec Bank Mauritius
IRB	Internal ratings-based approach
Investec/the group	Investec Limited Group (INL)
IMA	Internal model approach
ISDA	International Swaps and Derivatives Association document that outlines the terms applied to a derivatives transaction between two parties
LCR	Liquidity coverage ratio
OTC	Over-the-counter derivative exposures
PFE	Potential future exposure add-on for OTC derivative exposures
PONV	Point of non-viability
Pillar IIB	Idiosyncratic risk capital add-on
RW%	Risk weight is the factor applied to E* to determine capital requirements demand
RWA	Risk-weighted assets
SA-CCR	Standardised approach for measuring exposure at default for OTC exposures
SARB	South African Reserve Bank
SFT	Security financing transactions
SOE	State-owned enterprise
The bank	Investec Bank Limited Group (IBL)
The Banks Act	Banks Act, 1990 (Act No. 94 of 1990) (as amended)
The Regulations	Regulations relating to South African banks (12 December 2012)
TSA	The standardised approach
VaR	Value at risk

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Board-approved disclosure policy

Board-approved disclosure policy

The board of directors (the board) of Investec Bank Limited 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. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about Investec Bank Limited and its subsidiaries.

Investec endeavours to:

- present a balanced and understandable assessment of its position by addressing material matters of significant interest and concern;
- highlight the key risks to which it considers itself exposed and its responses to minimise the impact of the risks; and
- show a balance between the positive and negative aspects of the group's activities, in order to achieve a comprehensive and fair account of its performance.

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. Investec has developed a framework to ensure that it complies with all relevant public disclosure obligations and to uphold the board's communication and disclosure philosophy.

The Investor Relations division (IR) is responsible for working with the other divisions in the group to ensure that the group meets its various annual, interim and quarterly public reporting/disclosure requirements. IR has a detailed log of all these various disclosure requirements in terms of the Banks Act or other public reporting requirements and due dates for when such disclosures are required to be made public. This log is reviewed on an annual basis.

All public announcements and releases, annual, interim and quarterly disclosures are reviewed and approved by the board and/or appropriate senior management prior to their release. The reports go through a rigorous review and sign-off process by the board, executives, management, internal and external audit.

On an annual basis, members of IR, company secretarial, finance, the executive, board and board sub-committees (where applicable) will assess the appropriateness of all information that is publicly disclosed.

The Pillar III disclosures provided are in line with the requirements of the Basel Committee on Banking Supervision's standards on revised Pillar III disclosure requirements. These disclosures comprise certain Pillar III disclosures of Investec Bank Limited and its banking subsidiaries on a consolidated basis as required in terms of regulation 43 of the Regulations and/or issued Banks Act directives. The disclosures contained in this report have been reviewed by the external auditors, EY and KPMG. The external auditors have issued an unmodified review conclusion on this report.

The board is satisfied that:

- the information provided in this report was subject to the same level of internal review and internal control processes as the information provided for financial reporting purposes; and
- disclosures in this report have been prepared in accordance with the board-agreed internal control processes related to public disclosures.

David Friedland
Chairman of the board risk and capital committee

29 June 2018

Independent auditors' review report

Independent auditors' review report

Ernst & Young Inc.

102 Rivonia Road
Sandton, 2146
Private Bag X14
Sandton, 2146
South Africa

Tel: +27 11 772 3000
Fax: +27 11 772 4000
Docex 123 Randburg
Website www.ey.com/za

KPMG Inc.

KPMG. Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
www.kpmg.co.za

To the directors of Investec Bank Limited group

We have reviewed the Basel Pillar III disclosure report of Investec Bank Limited group at and for the year ended 31 March 2018, and the related narrative commentary that supplements the quantitative information provided in the report, as set out in pages 11 to 131 of the Investec Bank Limited group Basel Pillar III disclosure report.

Directors' responsibility for the Basel Pillar 3 disclosure

The directors are responsible for the preparation of the Basel Pillar III disclosure report in accordance with Directive 11/2015 and Directive 01/2018 issued in terms of section 6(6) of the Banks Act 94 which makes reference to the Revised Pillar III Disclosure Requirements issued by the Basel Committee of Banking Supervision, and for such internal control as the directors determine is necessary to enable the preparation of the Basel Pillar III disclosure report that are free from material misstatement, whether due to fraud or error. The directors are also responsible for disclosing all interpretations made and judgements applied in preparation of the Basel Pillar III disclosure report.

Auditors' responsibility

Our responsibility is to report on the Basel Pillar III disclosure report and to express a conclusion on the disclosure report based on our review. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2410, which applies to a review of historical financial information performed by the independent auditors of the entity.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Basel Pillar III disclosure report is not prepared, in all material respects, in accordance with the Revised Pillar III Disclosure Requirements issued by the Basel Committee on Banking Supervision. This Standard also requires us to comply with relevant ethical requirements.

A review of the Basel Pillar III disclosure report in accordance with ISRE 2410 is a limited assurance engagement. A review includes performing procedures, primarily consisting of making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review engagement are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Basel Pillar III disclosure report.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Basel Pillar III disclosure report of Investec Bank Limited group at and for the year ended 31 March 2018 is not prepared, in all material respects, in accordance with the Directive 11/2015 and Directive 01/2018 issued in terms of section 6(6) of the Banks Act 94 which makes reference to the Revised Pillar III Disclosure Requirements issued by the Basel Committee on Banking Supervision.

Ernst & Young Inc.

Ernst &Young Inc.
Registered Auditor
Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director
102 Rivonia Road
Sandton
Private Bag X14
Sandton 2196
Johannesburg
29 June 2018

KPMG Inc

KPMG Inc.
Registered Auditor
Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director
KPMG Crescent
85 Empire Road
Parktown
2193
Johannesburg
29 June 2018

Risk management

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 boards 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.

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 23 to 83 with further disclosures provided in the annual financial statements section on pages 133 to 140.

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

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

Philosophy and approach to risk management

Our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

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 group strategy.

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 14 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.

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 13% of the book, other lending collateralised by property 3%, high net worth and private client lending 51% and corporate lending 33% (with most industry concentrations well below 5%). Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet, showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book.

Net core loans and advances grew by 8.9% to R254 billion (31 March 2017: R233 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.03% to 0.56% with absolute levels of defaults decreasing year on year due to asset write-offs mainly in the corporate portfolio. We reported an increase in the level of impairments taken, however, the credit loss ratio reduced to 0.28% (2017: 0.29%), remaining at the lower end of its long-term average trend. The bank has minimal exposure to the agriculture and construction sectors in South Africa, and our overall on and off-balance sheet exposure to mining and resources amounts to 2% of our credit and counterparty exposures.

Investment risk

We believe that the IEP Group is well positioned to deliver value and grow. Overall, we remain comfortable with the performance of the majority of our equity investment portfolios, which comprise 3.3% of total assets.

Traded market risk

The local markets were impacted by various local factors, in particular, political policy uncertainty prior to the ANC elective conference in December 2017. The primary focus of the trading desks remains to facilitate the demand of our clients, with limited proprietary risk taken. This is reflected by the low levels of market risk exposures as well as VaR throughout the year. The 95% one-day VaR ended the year at R3.2 million, down R0.9 million from the previous year. Market risk exposures across all trading desks remained low throughout the year.

Balance sheet and liquidity risk

We maintained a strong liquidity position and continued to hold high levels of surplus liquid assets. During the past financial year, the bank responded to external political uncertainty by concluding its $600 million long-term foreign currency funding programme in September 2017. It raised a further $550 million using a combination of repos, sub-debt issuances and long-term cross currency swaps. The majority of our foreign currency funding is used to augment our already strong cash balances.

The bank grew its total customer deposits by 6.1% from R303 billion to R322 billion as at 31 March 2018. Cash and near cash amounted to R116.5 billion (31 March 2017: R117.6 billion). Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 133.9%, which is well ahead of the minimum regulatory level of 90% required. The NSFR has become a regulatory requirement as of January 2018. The NSFR for Investec Bank Limited (solo basis) amounted to 108.4% as at 31 March 2018, comfortably above the 100% regulatory minimum.

Capital management

The bank has continued to maintain a sound balance sheet with a low gearing ratio of 11.2 times and a core loans to equity ratio of 6.6 times. Our current leverage ratio is 7.7%.

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.

We believe that a common equity tier 1 ratio in excess of 10% is appropriate for our business, given our sound leverage ratios and we will continue to build our business in a manner that maintains this target.

We have applied to the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank) for approval to implement the Foundation Internal Ratings-Based (FIRB) approach for certain wholesale portfolios, a transitional step to implementing the Advanced Internal Ratings-Based (AIRB) approach. Subject to the approval from the South African Prudential Authority, we expect to implement FIRB in 2019 in the calculation of credit risk regulatory capital. Through the preparation process for the application the bank has enhanced a number of rating systems and risk quantification models. Once approved, we are expecting a positive impact on capital ratios in applying this approach.

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 are also focused 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 group'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 group. This process allows the group to identify underlying risks and manage them accordingly.

On 11 December 2017 the group released an announcement on the Johannesburg Stock Exchange in relation to its exposures to Steinhoff International Holdings NV (Steinhoff), its subsidiaries and related entities. Trading and investment losses incurred in respect of these exposures amounted to R210 million in the current financial year, less than the estimate referred to in the December announcement. As noted in that announcement, Investec has credit exposures largely to Steinhoff Africa Holdings Proprietary Limited subsidiaries and Steinhoff Africa Retail Limited, which represent a small portion of the group's balance sheet. Based on the information currently available to the group, Investec is not expecting to suffer any losses on these exposures.

IFRS 9 is effective 1 April 2018. IFRS 9 replaces 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 bank confirmed to the South African Prudential Authority that we will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations. Further information on the impact of IFRS 9 is given in the accounting policies section on page 148. In addition, the group has published its detailed transitional disclosures on 29 June 2018 separately from its annual report and these can be found on the group's website.

The economy faced major headwinds throughout 2017 driven by escalating political risks which had negative effects on the real economy. Concerns over the South African economy persisted throughout the year and peaked ahead of the ANC National Elective Conference in December 2017. Subsequent to that, Cyril Ramaphosa was elected President of the ANC, the ruling party. The announcement of a change of leadership within the ruling party was favourably received by investors. In response to these developments, Moody's left South Africa's international long-term credit ratings unchanged at investment grade (Baa3), upgrading the sovereign's outlook from negative to stable, ending the review for downgrade that started in November 2017.

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 group's various 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 robust 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	2018	2017
Total assets (R'million)	444 072	425 687
Total risk-weighted assets (R'million)	320 607	313 010
Total equity (R'million)	38 415	35 165
Net core loans and advances (R'million)	254 304	233 445
Cash and near cash (R'million)	116 533	117 586
Customer accounts (deposits) (R'million)	321 893	303 397
Gross defaults as a % of gross core loans and advances	1.12%	1.54%
Defaults (net of impairments) as a % of net core loans and advances	0.56%	1.03%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.28%	0.29%
Structured credit as a % of total assets	0.26%	0.43%
Banking book investment and equity risk exposures as a % of total assets	3.29%	3.19%
Level 3 (fair value assets) as a % of total assets	0.46%	0.81%
Traded market risk: one-day value at risk (R'million)	3.2	4.1
Core loans to equity ratio	6.6x	6.6x
Total gearing ratio**	11.2x	11.6x
Loans and advances to customers to customer deposits	76.9%	74.4%
Capital adequacy ratio	15.5%	15.4%
Tier 1 ratio	11.2%	11.1%
Common equity tier 1 ratio	10.9%	10.8%
Leverage ratio	7.7%	7.6%
Return on average assets#	1.12%	0.78%
Return on average risk-weighted assets#	1.48%	1.03%

* *Income statement impairment charge on core loans as a percentage of average gross core loans and advances.*
** *Total assets excluding intergroup loans to total equity.*
# *Where return represents earnings attributable to shareholders after deduction of preference dividends but before amortisation of acquired intangibles. Average balances are calculated on a straight-line average and total assets exclude intergroup loans.*

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. In addition, a number of committees and forums identify and manage risk at a group level. The group risk appetite statement and framework sets out the board's mandated risk appetite. The group risk appetite framework acts as a guide to determine the acceptable risk profile of the group by the owners of the group's capital. The group risk appetite statement ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The group risk appetite statement is a high-level, strategic framework that supplements and does not replace the detailed risk policy documents at each entity and geographic level. The group 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 to the group risk and capital committee and the board risk and capital committee and the 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 2018
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should exceed 50% of total operating income, dependent on prevailing market conditions	Capital light activities for Investec Limited contributed 48% to total operating income and capital intensive activities contributed 52%
• 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 80.2% of total operating income. Refer to page 8 of the Investec Bank Limited group and company annual financial statements 2018 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 53.3%. Refer to page 8 of the Investec Bank Limited group and company annual financial statements 2018 for further information
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target; refer to page 66 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a 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 meet our capital targets; refer to page 66 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 17 for further information
• We target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/stressed scenario)	The credit loss ratio on core loans amounted to 0.28% and defaults net of impairments amounted to 0.56% of total core loans. Refer to page 30 for further information
• We carry a high level of liquidity in all our banking subsidiaries 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 R116.5 billion at year end representing 36.2% of customer deposits. Refer to page 49 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 meet these internal limits; refer to page 44 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 R3 169 million, representing 8.9% of total tier 1 capital. Refer to page 40 for further information
• Our operational risk management team focuses on improving business performance and compliance with regulatory requirements through review, challenge and escalation	Refer to pages 57 to 60 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to pages 60 and 61 for further information

An overview of our principal risks

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

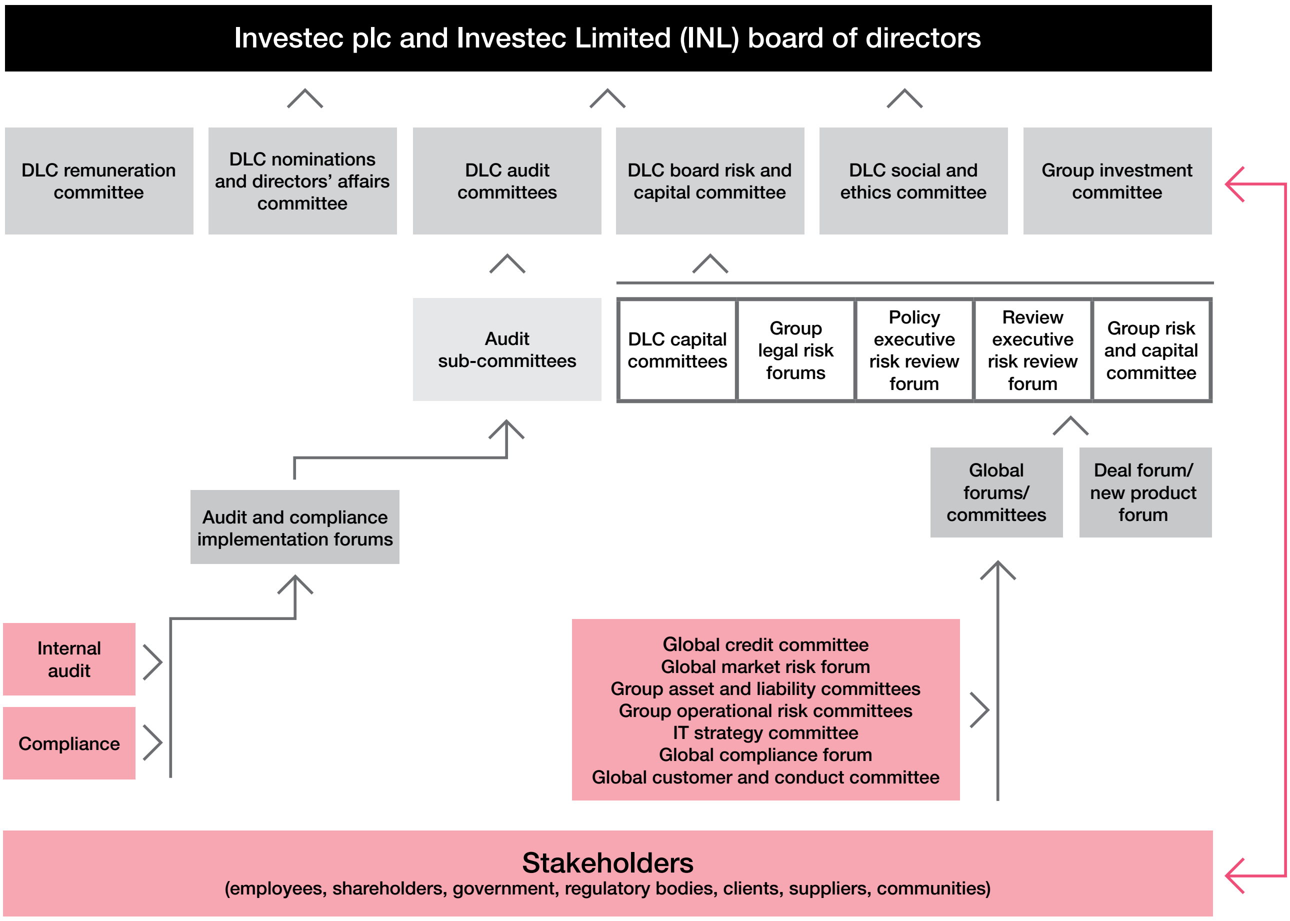
These principal risks have been highlighted on page 16 of the Investec Bank Limited group and company annual financial statements 2018.

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 group level. These committees and forums operate together with risk management and are mandated by the board. Our governance framework is highlighted below.



In the sections that follow, the following abbreviations are used on numerous occasions:

ALCO	Asset and liability committee	FCA	Financial Conduct Authority
BCBS	Basel Committee of Banking Supervision	GRCC	Group risk and capital committee
BIS	Bank for International Settlements	Policy ERRF	Policy executive risk review forum
BOM	Bank of Mauritius	Review ERRF	Review executive risk review forum
BRCC	Board risk and capital committee	South African Prudential Authority	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)

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 creates 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 effecting required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following defaults 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 global 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 non-executive review 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 are comprised of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

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

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committees, which review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Credit watchlist forum, which reviews and manages 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 recoveries forums specifically reviews and manages distressed loans and potentially distressed loans for private clients and corporates. This forum also reviews and monitors counterparties who have been granted forbearance measures.

Credit and counterparty risk appetite

The board has set a group 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 the GRCC, 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 geography (i.e. South Africa). The bank will accept exposures where we have a branch or local banking subsidiary (as explained on the following page) 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.

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.

We have little appetite for unsecured debt and require good quality collateral in support of obligations (refer to page 38 for further information).

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 must have scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow.

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

Interbank lending is largely reserved for those banks and institutions in the group's core geographies of activity which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures are generally avoided.

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.

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 by group risk management, group lending operations as well as the originating business units.

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.

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 other countries. 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 geography. 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 no 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 Policy ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions.

Corporate responsibility considerations

Investec has a holistic approach to corporate responsibility, 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 responsibility risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. There is also oversight by the social and ethics committee (board committee) 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.

Refer to our corporate responsibility report on our website.

Management and measurement of credit and counterparty risk

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

- 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 with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the GRCC and 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 Group Credit.

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

The group applies the standardised approach for calculating capital requirements in the assessment of its credit and counterparty exposures. The group's banking subsidiaries conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Central Bank, in the respective geographies in which the group operates.

A large proportion of the bank's portfolios are not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available as support in our decision-making process. Within the credit approval process, internal and external ratings are included in the assessment of the client quality.

Exposures are classified to reflect the bank's risk appetite and strategy. In our Pillar III disclosure, exposures are classified according to the Basel asset classes which include sovereign, bank, corporate, retail, equity, securitisation and specialised lending (which is further categorised into project finance; commodities finance; high volatility commercial real estate; and income-producing commercial real estate).

Internal credit rating models have been developed to cover all material asset classes.

Internal credit rating models continue to be developed to cover all material asset classes. We have applied to the South African Prudential Authority for approval of the FIRB approach, a transitional step to implementing the AIRB approach. Subject to the South African Prudential Authority approval, we expect to implement FIRB in the calculation of credit risk regulatory capital. Through the preparation process for the application, the bank has enhanced a number of rating systems and risk quantification models. Once approved, we are expecting a positive impact on capital ratios in applying this approach.

Stress testing and portfolio management

The bank 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'.

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. Out of the 'bottom-up' analysis the Investec-specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio.

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.

Notwithstanding the form of the stress testing process, the framework should not impede the group from being able to be flexible and perform *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 on 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 and counterparty risk may also arise in other ways and it is the role of the global risk management function and the various independent credit committees to identify risks falling outside these definitions.

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 and other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

Lending collateralised by property

Client quality and expertise are at the core of our credit philosophy. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan to security value ratios.

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.

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 36 to 37.

Private client activities

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. 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:

- **Personal Banking** delivers products 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
- **Residential Mortgages** provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs
- **Specialised Lending** provides tailored credit facilities to high net worth individuals and their controlled entities
- **Portfolio Lending** provides loans to high net worth clients against their investment portfolio, typically managed by Investec Wealth & Investment.

An analysis of the private client loan portfolio and asset quality information is provided on pages 36 to 37.

Corporate client activities

We focus on traditional client-driven corporate lending activities, in addition to customer flow related treasury and trading execution services.

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.

The bank 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 Loans:** provides senior secured loans to mid-to-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 or arranger, and have a close relationship with management and sponsors
- **Corporate Debt Securities:** these are tradable corporate debt instruments, based on acceptable credit fundamentals typically with a medium-term hold strategy where the underlying risk is to South African corporates. This is a highly diversified, granular portfolio that is robust, and spread across a variety of geographies and industries
- **Acquisition Finance:** provides debt funding to proven management teams and sponsors, running small to mid-cap sized 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 lend on a bilateral basis and benefit from 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 in South Africa where the bank 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
- **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
- **Power and Infrastructure Finance:** arranges and provides typically long-term financing for 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
- **Resource Finance:** debt arranging and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in South Africa as well as other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography. All facilities are secured by the borrower's assets and repaid from mining cash flows
- **Structured Credit:** these are bonds secured against a pool of assets, mainly UK and European residential mortgages. The bonds are typically investment grade rated, which benefit from a high-level of credit subordination and can withstand a significant level of portfolio defaults
- **Treasury Placements:** 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 mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally.
- **Customer trading activities to facilitate client lending and hedging:** 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 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.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 36 to 37.

Asset quality analysis – credit risk classification and provisioning policy

It is a policy requirement overseen by credit risk management that each operating division makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established group guidelines and in conjunction with the watchlist committee process. In the annual financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/ credit agreed payment date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

Asset quality analysis – credit risk classification and provisioning policy *(continued)*

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default (non-performing assets)	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable, • The bank is relying, to a large extent, on available collateral, or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	The counterparty is placed in doubtful when the credit exposure is considered to be impaired, but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	A counterparty is placed in the loss category when: • The credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or • Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets are remote.

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec 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.

As the bank has a 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 ultimately allowing Investec to recover any outstanding exposures.

An analysis of collateral is provided on page 38.

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 re-let and/or resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. 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 47.

Investec endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function in Investec ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the bank 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 financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk.

Further information is provided in the financial review on pages 12 to 20 of the Investec Bank Limited group and company annual financial statements 2018 .

The current macro-economic environment remains challenging and volatile with competitive pressure on margins. 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.

Growth in the core loan book was moderate and grew by 8.9% to R254 billion (31 March 2017: R233 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.03% to 0.56%, with absolute levels of defaults decreasing year on year due to asset write-offs mainly in the corporate portfolio.

We reported an increase in the level of impairments taken, however, the credit loss ratio reduced to 0.28% (2017: 0.29%), remaining at the lower end of its long-term average trend.

Lending collateralised by property

The majority of the property assets are commercial investment properties and are located in South Africa. This portfolio decreased by 2% during the year. 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.

Private client activities

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 13.3% over the year.

Growth in both of these areas has been achieved with strong adherence to our conservative lending appetite.

Corporate client activities

We grew our corporate book by 6.6% 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 State Owned Entities (SOEs) exposure is predominantly backed by government support.

Credit and counterparty risk information

Pages 11 to 12 describe where and how credit risk is assumed in our operations.

The tables that follow provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposures increased by 3.1% to R470 billion largely due to growth in loans and advances to customers, partially offset by a managed reduction in reverse purchase agreements and guarantees. Cash and near cash balances amount to R116.5 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.

R'million At 31 March	2018	2017	% change	Average*
Cash and balances at central banks	9 165	8 353	9.7%	8 758
Loans and advances to banks	17 265	31 937	(45.9%)	24 600
Non-sovereign and non-bank cash placements	9 993	8 993	11.1%	9 492
Reverse repurchase agreements and cash collateral on securities borrowed	20 480	26 627	(23.1%)	23 554
Sovereign debt securities	62 403	47 822	30.5%	55 113
Bank debt securities	8 051	7 758	3.8%	7 905
Other debt securities	10 342	11 945	(13.4%)	11 144
Derivative financial instruments	6 858	6 364	7.8%	6 611
Securities arising from trading activities	698	463	50.8%	581
Loans and advances to customers (gross)	248 902	226 873	9.7%	237 888
Own originated loans and advances to customers securitised (gross)	6 836	7 782	(12.2%)	7 309
Other loans and advances (gross)	290	336	(13.7%)	313
Other assets	3 363	2 757	22.0%	3 060
Total on-balance sheet exposures	**404 646**	**388 010**	**4.3%**	**396 328**
Guarantees^	10 589	15 750	(32.8%)	13 170
Contingent liabilities, committed facilities and other	54 604	52 089	4.8%	53 347
Total off-balance sheet exposures	**65 193**	**67 839**	**(3.9%)**	**66 516**
Total gross credit and counterparty exposures pre-collateral other credit enhancements	**469 839**	**455 849**	**3.1%**	**462 844**

* *Where the average is based on a straight-line average.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

A further analysis of our on-balance sheet credit and counterparty exposures

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

R'million	Total credit and counterparty 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	17 265	–		17 265
Non-sovereign and non-bank cash placements	9 993	–		9 993
Reverse repurchase agreements and cash collateral on securities borrowed	20 480	–		20 480
Sovereign debt securities	62 403	–		62 403
Bank debt securities	8 051	–		8 051
Other debt securities	10 342	–		10 342
Derivative financial instruments	6 858	5 728		12 586
Securities arising from trading activities	698	177		875
Investment portfolio	–	7 943	1	7 943
Loans and advances to customers	248 902	(1 428)	2	247 474
Own originated loans and advances to customers securitised	6 836	(6)	2	6 830
Other loans and advances	290	(25)	2	265
Other securitised assets	–	241	3	241
Interest in associated undertakings	–	6 288	1	6 288
Deferred taxation assets	–	586		586
Other assets	3 363	3 323	4	6 686
Property and equipment	–	2 494		2 494
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	412		412
Loans to group companies	–	13 499		13 499
Total on-balance sheet exposures	**404 646**	**39 426**		**444 072**

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.*

A further analysis of our on-balance sheet credit and counterparty exposures

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2017				
Cash and balances at central banks	8 353	–		8 353
Loans and advances to banks	31 937	–		31 937
Non-sovereign and non-bank cash placements	8 993	–		8 993
Reverse repurchase agreements and cash collateral on securities borrowed	26 627	–		26 627
Sovereign debt securities	47 822	–		47 822
Bank debt securities	7 758	–		7 758
Other debt securities	11 945	–		11 945
Derivative financial instruments	6 364	3 492		9 856
Securities arising from trading activities	463	190		653
Investment portfolio	–	7 204	1	7 204
Loans and advances to customers	226 873	(1 204)	2	225 669
Own originated loans and advances to customers securitised	7 782	(6)	2	7 776
Other loans and advances	336	(26)	2	310
Other securitised assets	–	100	3	100
Interest in associated undertakings	–	5 514	1	5 514
Deferred taxation assets	–	388		388
Other assets	2 757	2 509	4	5 266
Property and equipment	–	274		274
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	508		508
Loans to group companies	–	18 106		18 106
Non-current assets classified held for sale	–	456	1	456
Total on-balance sheet exposures	**388 010**	**37 677**		**425 687**

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.*

Detailed analysis of gross credit and counterparty exposures by industry

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
At 31 March 2018						
Cash and balances at central banks	–	–	–	–	9 165	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	18	–	–	1 843
Reverse repurchase agreements and cash collateral on securities borrowed	658	–	–	–	–	89
Sovereign debt securities	–	–	–	–	62 403	–
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 (gross)	124 415	40 616	2 926	6 301	5 839	11 875
Own originated loans and advances to customers securitised (gross)	6 836	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	9
Total on-balance sheet exposures	**131 909**	**40 616**	**2 960**	**7 422**	**79 305**	**13 844**
Guarantees^	4 431	937	–	946	1	1 117
Contingent liabilities, committed facilities and other	33 627	4 308	788	569	1 025	787
Total off-balance sheet exposures	**38 058**	**5 245**	**788**	**1 515**	**1 026**	**1 904**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**169 967**	**45 861**	**3 748**	**8 937**	**80 331**	**15 748**
At 31 March 2017						
Cash and balances at central banks	–	–	–	–	8 353	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	1	–	67	635
Reverse repurchase agreements and cash collateral on securities borrowed	586	–	–	–	–	164
Sovereign debt securities	–	–	–	–	47 822	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	1 700	–
Derivative financial instruments	–	–	5	422	–	71
Securities arising from trading activities	–	–	–	1	320	–
Loans and advances to customers (gross)	107 447	40 546	2 895	5 364	5 900	8 523
Own originated loans and advances to customers securitised (gross)	7 782	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	62
Total on-balance sheet exposures	**115 815**	**40 546**	**2 901**	**5 787**	**64 162**	**9 455**
Guarantees^	3 478	1 104	179	648	1 744	689
Contingent liabilities, committed facilities and other	31 165	6 132	301	2 137	609	559
Total off-balance sheet exposures	**34 643**	**7 236**	**480**	**2 785**	**2 353**	**1 248**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**150 458**	**47 782**	**3 381**	**8 572**	**66 515**	**10 703**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

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
–	–	–	–	–	–	–	–	–	–	9 165
17 265	–	–	–	–	–	–	–	–	–	17 265
2 203	1 728	2 048	504	201	–	396	30	155	867	9 993
18 765	–	934	–	–	–	–	–	34	–	20 480
–	–	–	–	–	–	–	–	–	–	62 403
8 051	–	–	–	–	–	–	–	–	–	8 051
3 151	–	1 993	–	955	–	1 917	–	–	1 014	10 342
4 722	198	123	–	387	–	135	42	59	27	6 858
–	–	–	–	–	–	–	–	–	112	698
18 221	4 879	9 205	1 855	6 812	–	2 815	3 017	4 552	5 574	248 902
–	–	–	–	–	–	–	–	–	–	6 836
–	–	–	–	–	290	–	–	–	–	290
384	2 004	456	136	–	–	8	72	1	293	3 363
72 762	**8 809**	**14 759**	**2 495**	**8 355**	**290**	**5 271**	**3 161**	**4 801**	**7 887**	**404 646**
149	81	1 059	128	466	–	1 016	145	52	61	10 589
3 902	1 344	950	313	176	–	2 251	55	1 545	2 964	54 604
4 051	**1 425**	**2 009**	**441**	**642**	**–**	**3 267**	**200**	**1 597**	**3 025**	**65 193**
76 813	**10 234**	**16 768**	**2 936**	**8 997**	**290**	**8 538**	**3 361**	**6 398**	**10 912**	**469 839**
–	–	–	–	–	–	–	–	–	–	8 353
31 937	–	–	–	–	–	–	–	–	–	31 937
2 130	1 561	2 504	247	201	–	758	–	553	336	8 993
25 051	–	785	–	–	–	–	–	–	41	26 627
–	–	–	–	–	–	–	–	–	–	47 822
7 758	–	–	–	–	–	–	–	–	–	7 758
3 162	–	1 555	–	708	–	2 383	–	–	2 437	11 945
5 065	128	123	3	323	–	138	37	14	35	6 364
–	38	–	–	–	–	–	33	–	71	463
17 640	2 814	11 457	3 953	5 760	–	3 249	1 512	4 010	5 803	226 873
–	–	–	–	–	–	–	–	–	–	7 782
–	–	–	–	–	336	–	–	–	–	336
673	1 470	236	268	–	–	–	40	–	8	2 757
93 416	**6 011**	**16 660**	**4 471**	**6 992**	**336**	**6 528**	**1 622**	**4 577**	**8 731**	**388 010**
3 769	989	985	94	86	–	1 702	125	64	94	15 750
2 984	1 810	858	538	303	–	3 088	68	1 117	420	52 089
6 753	**2 799**	**1 843**	**632**	**389**	**–**	**4 790**	**193**	**1 181**	**514**	**67 839**
100 169	**8 810**	**18 503**	**5 103**	**7 381**	**336**	**11 318**	**1 815**	**5 758**	**9 245**	**455 849**

Private client loans account for 67.2% of total gross core loans and advances, as represented by the industry classification 'high net worth and professional individuals and lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending and lending collateralised by property we undertake is provided on page 29, and a more detailed analysis of these loan portfolios are provided on pages 36 and 37.

The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, diversified across several industries.

A description of the type of corporate client lending we undertake is provided on pages 18 and 19, and a more detailed analysis of the corporate client loan portfolio is provided on pages 36 and 37.

An analysis of gross credit and counterparty exposures by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million **At 31 March**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
High net worth and professional individuals	131 251	115 229	38 716	35 229	169 967	150 458
Lending collateralised by property – largely to private clients	40 616	40 546	5 245	7 236	45 861	47 782
Agriculture	2 926	2 895	822	486	3 748	3 381
Electricity, gas and water (utility services)	6 301	5 364	2 636	3 208	8 937	8 572
Public and non-business services	5 839	5 900	74 492	60 615	80 331	66 515
Business services	11 875	8 523	3 873	2 180	15 748	10 703
Finance and insurance	18 221	17 640	58 592	82 529	76 813	100 169
Retailers and wholesalers	4 879	2 814	5 355	5 996	10 234	8 810
Manufacturing and commerce	9 205	11 457	7 563	7 046	16 768	18 503
Construction	1 855	3 953	1 081	1 150	2 936	5 103
Corporate commercial real estate	6 812	5 760	2 185	1 621	8 997	7 381
Other residential mortgages	–	–	290	336	290	336
Mining and resources	2 815	3 249	5 723	8 069	8 538	11 318
Leisure, entertainment and tourism	3 017	1 512	344	303	3 361	1 815
Transport	4 552	4 010	1 846	1 748	6 398	5 758
Communication	5 574	5 803	5 338	3 442	10 912	9 245
Total	**255 738**	**234 655**	**214 101**	**221 194**	**469 839**	**455 849**

Gross credit counterparty exposures by residual contractual maturity at 31 March 2018

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	9 165	–	–	–	–	–	9 165
Loans and advances to banks	16 317	178	234	536	–	–	17 265
Non-sovereign and non-bank cash placements	9 993	–	–	–	–	–	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	15 227	1 085	778	2 422	916	52	20 480
Sovereign debt securities	13 393	15 095	15 587	5 167	6 012	7 149	62 403
Bank debt securities	225	–	59	4 724	2 530	513	8 051
Other debt securities	–	82	816	6 922	1 343	1 179	10 342
Derivative financial instruments	2 758	1 294	632	1 741	433	–	6 858
Securities arising from trading activities	–	–	2	696	–	–	698
Loans and advances to customers (gross)	23 514	14 744	20 829	129 253	31 082	29 480	248 902
Own originated loans and advances to customers securitised (gross)	–	3	10	28	531	6 264	6 836
Other loans and advances (gross)	–	–	290	–	–	–	290
Other assets	3 363	–	–	–	–	–	3 363
Total on-balance sheet exposures	**93 955**	**32 481**	**39 237**	**151 489**	**42 847**	**44 637**	**404 646**
Guarantees^	5 656	1 091	1 680	1 666	267	229	10 589
Contingent liabilities, committed facilities and other	11 838	2 141	3 474	15 944	3 021	18 186	54 604
Total off-balance sheet exposures	**17 494**	**3 232**	**5 154**	**17 610**	**3 288**	**18 415**	**65 193**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**111 449**	**35 713**	**44 391**	**169 099**	**46 135**	**63 052**	**469 839**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

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	2017
Loans and advances to customers as per the balance sheet	247 474	225 669
Add: own originated loans and advances to customers securitised as per the balance sheet	6 830	7 776
Net core loans and advances to customers	**254 304**	**233 445**

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

An overview of developments during the financial year is provided on page 22.

R'million At 31 March	2018	2017
Gross core loans and advances to customers	**255 738**	**234 655**
Total impairments	**(1 434)**	**(1 210)**
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Net core loans and advances to customers	**254 304**	**233 445**
Average gross core loans and advances to customers	**245 197**	**225 405**
Current loans and advances to customers	251 474	230 131
Past due loans and advances to customers (1 – 60 days)	1 040	670
Special mention loans and advances to customers (1 – 90 days)	367	242
Default loans and advances to customers	2 857	3 612
Gross core loans and advances to customers	**255 738**	**234 655**
Current loans and advances to customers	251 474	230 131
Default loans that are current and not impaired	214	132
Gross core loans and advances to customers that are past due but not impaired	2 181	1 927
Gross core loans and advances to customers that are impaired	1 869	2 465
Gross core loans and advances to customers	**255 738**	**234 655**
Total income statement charge for impairments on core loans and advances	**(692)**	**(659)**
Gross default loans and advances to customers	2 857	3 612
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Defaults net of impairments	**1 423**	**2 402**
Aggregate collateral and other credit enhancements on defaults	3 547	4 339
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%	0.52%
Total impairments as a % of gross default loans	50.19%	33.50%
Gross defaults as a % of gross core loans and advances to customers	1.12%	1.54%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.56%	1.03%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.28%	0.29%

An age analysis of past due and default core loans and advances to customers

R'million At 31 March	2018	2017
Default loans that are current	583	1 254
1 – 60 days	1 579	1 470
61 – 90 days	158	182
91 – 180 days	234	473
181 – 365 days	425	717
> 365 days	1 285	428
Past due and default core loans and advances to customers (actual capital exposure)	**4 264**	**4 524**
1 – 60 days	446	256
61 – 90 days	22	23
91 – 180 days	34	66
181 – 365 days	134	476
> 365 days	1 035	177
Past due and default core loans and advances to customers (actual amount in arrears)	**1 671**	**998**

A further age analysis of past due and default core loans and advances to customers

R'million	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	–	1 451	108	76	131	415	2 181
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
At 31 March 2017							
Watchlist loans neither past due nor impaired							
Total capital exposure	132	–	–	–	–	–	132
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 113	150	121	460	83	1 927
Amount in arrears	–	205	18	27	439	53	742
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 122	357	32	352	257	345	2 465
Amount in arrears	–	51	5	39	37	124	256

Risk management

(continued)

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on total capital exposure)

R'million	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**	**257**	**73**	**234**	**425**	**1 285**	**2 857**
Sub-standard	214	129	23	76	131	415	988
Doubtful	369	128	50	158	294	870	1 869
Total	**583**	**1 579**	**158**	**234**	**425**	**1 285**	**4 264**

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on actual amount in arrears)

R'million	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**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**670**	**–**	**–**	**–**	**–**	**670**
Special mention	**–**	**151**	**87**	**1**	**–**	**3**	**242**
Special mention (1 – 90 days)	–	151	–	1*	–	3*	155
Special mention (61 – 90 days and item well secured)	–	–	87	–	–	–	87
Default	**1 254**	**649**	**95**	**472**	**717**	**425**	**3 612**
Sub-standard	132	292	63	120	460	80	1 147
Doubtful	1 122	357	32	352	257	345	2 465
Total	**1 254**	**1 470**	**182**	**473**	**717**	**428**	**4 524**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**140**	**–**	**–**	**–**	**–**	**140**
Special mention	**–**	**8**	**13**	**–**	**–**	**–**	**21**
Special mention (1 – 90 days)	–	8	–	–	–	–	8
Special mention (61 – 90 days and item well secured)	–	–	13	–	–	–	13
Default	**–**	**108**	**10**	**66**	**476**	**177**	**837**
Sub-standard	–	57	5	27	439	53	581
Doubtful	–	51	5	39	37	124	256
Total	**–**	**256**	**23**	**66**	**476**	**177**	**998**

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is outside of Investec's control, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

R'million	Gross core loans and advances 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 impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2018								
Current core loans and advances	**251 474**	**–**	**–**	**251 474**	**–**	**(630)**	**250 844**	**–**
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**	**774**	**1 869**	**2 857**	**(795)**	**(3)**	**2 059**	**1 224**
Sub-standard	214	774	–	988	–	(3)	985	527
Doubtful	–	–	1 869	1 869	(795)	–	1 074	697
Total	**251 688**	**2 181**	**1 869**	**255 738**	**(795)**	**(639)**	**254 304**	**1 671**
At 31 March 2017								
Current core loans and advances	**230 131**	**–**	**–**	**230 131**	**–**	**(319)**	**229 812**	**–**
Past due (1 – 60 days)	**–**	**670**	**–**	**670**	**–**	**(2)**	**668**	**140**
Special mention	**–**	**242**	**–**	**242**	**–**	**(1)**	**241**	**21**
Special mention (1 – 90 days)	–	155	–	155	–	(1)	154	8
Special mention (61 – 90 days and item well secured)	–	87	–	87	–	–	87	13
Default	**132**	**1 015**	**2 465**	**3 612**	**(884)**	**(4)**	**2 724**	**837**
Sub-standard	132	1 015	–	1 147	–	(4)	1 143	581
Doubtful	–	–	2 465	2 465	(884)	–	1 581	256
Total	**230 263**	**1 927**	**2 465**	**234 655**	**(884)**	**(326)**	**233 445**	**998**

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	**168 577**	**52 121**	**18 221**	**5 720**	**6 835**	**251 474**
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	**2 229**	**273**	**–**	**119**	**236**	**2 857**
Sub-standard	868	120	–	–	–	988
Doubtful	1 361	153	–	119	236	1 869
Total gross core loans and advances to customers	**171 867**	**52 615**	**18 221**	**5 839**	**7 196**	**255 738**
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	**171 144**	**52 135**	**18 202**	**5 776**	**7 047**	**254 304**
At 31 March 2017						
Current core loans and advances	**152 507**	**48 581**	**17 604**	**5 765**	**5 674**	**230 131**
Past due (1 – 60 days)	**600**	**7**	**–**	**–**	**63**	**670**
Special mention	**158**	**79**	**–**	**–**	**5**	**242**
Special mention (1 – 90 days)	76	79	–	–	–	155
Special mention (61 – 90 days and item well secured)	82	–	–	–	5	87
Default	**2 510**	**755**	**36**	**135**	**176**	**3 612**
Sub-standard	995	114	36	–	2	1 147
Doubtful	1 515	641	–	135	174	2 465
Total gross core loans and advances to customers	**155 775**	**49 422**	**17 640**	**5 900**	**5 918**	**234 655**
Total impairments	**(581)**	**(401)**	**(18)**	**(62)**	**(148)**	**(1 210)**
Specific impairments	(360)	(316)	–	(60)	(148)	(884)
Portfolio impairments	(221)	(85)	(18)	(2)	–	(326)
Net core loans and advances to customers	**155 194**	**49 021**	**17 622**	**5 838**	**5 770**	**233 445**

An analysis of core loans and advances by risk category at 31 March 2018

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**40 616**	**865**	**926**	**(319)**	**(221)**
Commercial real estate	**36 772**	**695**	**659**	**(260)**	**(106)**
Commercial real estate – investment	32 940	673	636	(246)	(96)
Commercial real estate – development	3 043	8	11	–	(3)
Commercial vacant land and planning	789	14	12	(14)	(7)
Residential real estate	**3 844**	**170**	**267**	**(59)**	**(115)**
Residential real estate – development	3 035	146	255	(40)	(133)
Residential vacant land and planning	809	24	12	(19)	18
High net worth and other private client lending	**131 251**	**1 364**	**1 924**	**(168)**	**(18)**
Mortgages	67 269	874	1 075	(102)	(75)
High net worth and specialised lending	63 982	490	849	(66)	57
Corporate and other lending	**83 871**	**628**	**697**	**(308)**	**(129)**
Acquisition finance	13 984	117	119	(2)	(68)
Asset-based lending	7 206	236	390	(149)	(9)
Fund finance	4 909	–	–	–	(6)
Other corporate and financial institutions and governments	47 709	160	153	(68)	21
Asset finance	2 678	–	–	–	–
Small ticket asset finance	2 225	–	–	–	–
Large ticket asset finance	453	–	–	–	–
Project finance	6 641	–	–	–	(2)
Resource finance	744	115	35	(89)	(65)
Portfolio impairments				**(639)**	**(324)**
Total	**255 738**	**2 857**	**3 547**	**(1 434)**	**(692)**

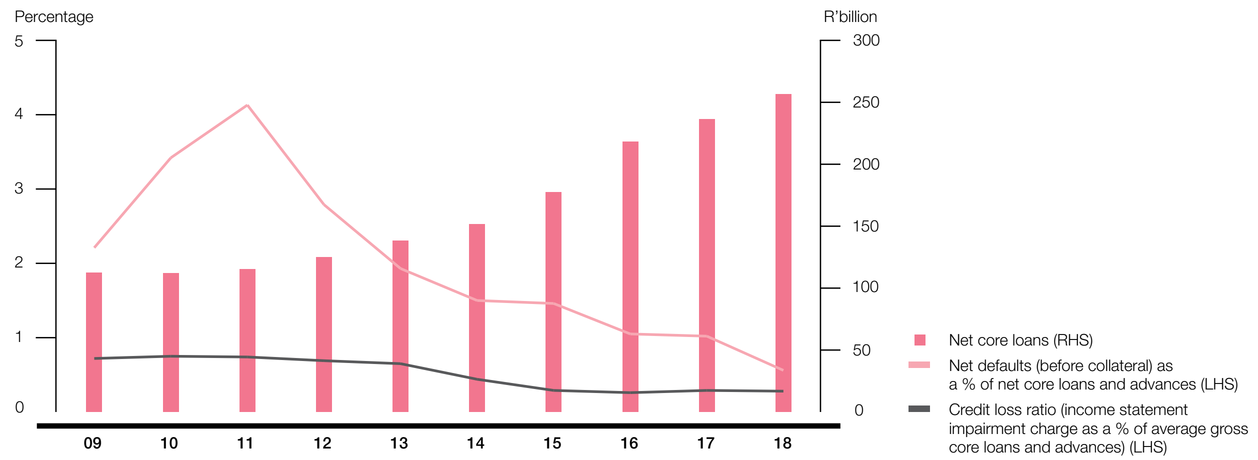
^ *Where a positive number represents a recovery.*

An analysis of core loans and advances by risk category at 31 March 2017

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**40 546**	**990**	**1 158**	**(214)**	**(93)**
Commercial real estate	**36 526**	**615**	**781**	**(151)**	**(53)**
Commercial real estate – investment	33 654	546	653	(133)	(74)
Commercial real estate – development	1 868	–	1	–	11
Commercial vacant land and planning	1 004	69	127	(18)	10
Residential real estate	**4 020**	**375**	**377**	**(63)**	**(40)**
Residential real estate – development	2 661	310	313	(42)	(42)
Residential vacant land and planning	1 359	65	64	(21)	2
High net worth and other private client lending	**115 229**	**1 520**	**2 227**	**(146)**	**(282)**
Mortgages	60 493	723	994	(60)	(22)
High net worth and specialised lending	54 736	797	1 233	(86)	(260)
Corporate and other lending	**78 880**	**1 102**	**954**	**(524)**	**(182)**
Acquisition finance	13 357	582	534	(132)	(55)
Asset-based lending	5 936	176	285	(148)	(41)
Fund finance	5 548	–	–	–	4
Other corporate and financial institutions and governments	43 866	139	135	(72)	(32)
Asset finance	2 697	26	–	–	(9)
Small ticket asset finance	2 142	–	–	–	(9)
Large ticket asset finance	555	26	–	–	–
Project finance	6 414	–	–	–	1
Resource finance	1 062	179	–	(172)	(50)
Portfolio impairments	**–**	**–**	**–**	**(326)**	**(102)**
Total	**234 655**	**3 612**	**4 339**	**(1 210)**	**(659)**

^ *Where a positive number represents a recovery.*

Asset quality trends



Collateral

A summary of total collateral is provided in the table below

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2018			
Eligible financial collateral	**41 704**	**19 863**	**61 567**
Listed shares	40 657	17 558	58 215
Cash	1 047	23	1 070
Debt securities issued by sovereigns	–	2 282	2 282
Property charge	**350 443**	**49**	**350 492**
Residential property	188 238	–	188 238
Commercial property developments	6 932	49	6 981
Commercial property investments	155 273	–	155 273
Other collateral	**50 799**	**827**	**51 626**
Unlisted shares^	5 240	–	5 240
Charges other than property	9 321	–	9 321
Debtors, stock and other corporate assets	6 128	–	6 128
Guarantees	20 517	–	20 517
Other	9 593	827	10 420
Total collateral	**442 946**	**20 739**	**463 685**
At 31 March 2017			
Eligible financial collateral	**42 823**	**25 020**	**67 843**
Listed shares	41 271	15 674	56 945
Cash	1 552	14	1 566
Debt securities issued by sovereigns	–	9 332	9 332
Property charge	**326 783**	**586**	**327 369**
Residential property	169 842	436	170 278
Commercial property developments	14 055	150	14 205
Commercial property investments	142 886	–	142 886
Other collateral	**66 497**	**854**	**67 351**
Unlisted shares^	7 553	22	7 575
Charges other than property	14 435	–	14 435
Debtors, stock and other corporate assets	6 117	–	6 117
Guarantees	26 148	–	26 148
Other	12 244	832	13 076
Total collateral	**436 103**	**26 460**	**462 563**

* *A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

^ *Unlisted shares taken as collateral can include shares in companies in which the group also has an equity investment. Refer to page 39 for additional information on the unlisted equity investments held at fair value.*

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 normally undertaken in support of a client requiring equity to grow and develop an existing business, or the acquisition of a business from third parties. 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 the IPO, or sale of one of our investments. Additionally, listed investments may be considered where we believe that the market is mispricing the value of the underlying security
- **IEP Group:** Investec Bank Limited holds a 45.7% stake alongside third party investors and senior management of the business who hold the remaining 54.3%. 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 within 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 committee, BRCC and GRCC
Listed equities	Investment committee, market risk management, BRCC and GRCC
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees, BRCC and GRCC
Investment and trading properties	Investment committee, Investec Property group investment committee in South Africa, BRCC and GRCC
IEP Group	A number of our executive are on the board of the IEP Group, BRCC and GRCC

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 GRCC and BRCC. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

The table below provides an analysis of income and revaluations recorded with respect to these investments.

	Income/(loss) (pre-funding costs)					
For the year to 31 March R'million	**Unrealised****	**Realised****	**Dividends**	**Other**	**Total**	**Fair value through equity**
2018						
Unlisted investments	(413)	427	109	–	123	(2)
Listed equities	(208)	10	321	–	123	(369)
Investment and trading properties	–	8	–	–	8	–
Warrants, profit shares and other embedded derivatives	(9)	218	–	–	209	–
The IEP Group	–	–	–	766	766	–
Total	**(630)**	**663**	**430**	**766**	**1 229**	**(371)**
2017						
Unlisted investments	(126)	100	243	–	217	(2)
Listed equities	(117)	(9)	223	–	97	(47)
Investment and trading properties	(208)	29	–	–	(179)	–
Warrants, profit shares and other embedded derivatives	(18)	263	–	–	245	–
The IEP Group	–	–	–	303	303	–
Total	**(469)**	**383**	**466**	**303**	**683**	**(49)**

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

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 2018	Valuation change stress test 2018*	On-balance sheet value of investments 2017	Valuation change stress test 2017*
Unlisted investments^	3 169	475	3 573	536
Listed equities^	4 774	1 194	4 087	1 022
Investment and trading properties	267	53	294	59
Warrants, profit shares and other embedded derivatives	213	74	221	77
The IEP group^^	6 180	927	5 413	812
Total	**14 603**	**2 723**	**13 588**	**2 506**

^ *Includes the investment portfolio.*
^^ *As explained on page 39.*
* *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 2018, as reflected above, we could have a R2.7 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 very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel III capital requirements for Investec Bank Limited, 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 65 for further detail.

Valuation and accounting methodologies

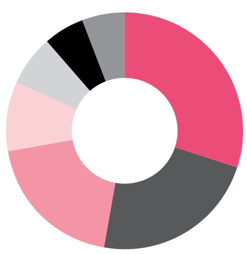
For a description of our valuation principles and methodologies refer to pages 162 and 177 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 0.46% of total assets (excluding assurance assets).

Refer to page 170 for further information of the Investec Bank Limited group and company annual financial statements 2018.

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 2018
R7 141 million

Real estate	30.1%
Mining and resources	22.7%
Manufacturing and commerce	19.6%
Communication	9.5%
Finance and insurance	6.8%
Other	5.7%
Electricity, gas and water (utility service)	5.6%

Securitisation/structured credit activities exposures

Overview

The bank's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory 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 24 for the balance sheet and credit risk classification.

The bank applies the standardised approach in the assessment of regulatory capital for securitisation.

The bank engages in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a small proportion of our current funding profile, but provides additional flexibility and a source of liquidity. Investec Bank Limited does 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. The primary motivations for the securitisation of these assets are to:

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

Total assets that have been originated and securitised by the Private Client division amount to R6.8 billion at 31 March 2018 (31 March 2017: R7.8 billion) and consist of residential mortgages. Within these securitisation vehicles loans greater than 90 days in arrears amounted to R34.4 million.

Further details of the various securitisation vehicles are highlighted below:

- Fox Street 2: R0.8 billion notes of the original R1.5 billion are still in issue. R246 million of the notes are held internally
- Fox Street 3: R1.2 billion notes of the original R2.0 billion are still in issue. 209 of the notes are held internally
- Fox Street 4: R2.3 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R2.3 billion notes of the original R2.9 billion are still in issue. All 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 2018 (31 March 2017: R0.9 billion) and unrated South African RMBS, totalling R1.0 billion at 31 March 2018 (31 March 2017: R0.9 billion).

Accounting policies

Refer to page 143 and 144 of the Investec Bank Limited group and company annual financial statements 2018.

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 own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 11.

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

At 31 March Nature of exposure/activity	Exposure 2018 R'million	Exposure 2017 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	1 145	1 812	Other debt securities	
Rated	165	863		
Unrated	980	949		
Loans and advances to customers and third party intermediary platforms (mortgage loans) – (net exposure)	265	310	Other loans and advances	
Private Client division assets – which have been securitised	6 836	7 782	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

At 31 March R'million	2018 Rated**	2018 Unrated	2018 Total	2017 Rated**	2017 Unrated	2017 Total
UK and European RMBS	129	–	129	773	–	773
Australian RMBS	36	–	36	90	–	90
South African RMBS	–	980	980	–	949	949
Total	**165**	**980**	**1 145**	**863**	**949**	**1 812**

** A further analysis of rated structured credit investments

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
UK and European RMBS	–	–	–	–	129	–	–	129
Australian RMBS	–	36	–	–	–	–	–	36
Total at 31 March 2018	**–**	**36**	**–**	**–**	**129**	**–**	**–**	**165**
Total at 31 March 2017	**72**	**391**	**253**	**–**	**147**	**–**	**–**	**863**

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. All limits are approved, managed and monitored centrally by group risk.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. A Global Market Risk Forum, mandated by the BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Risk limits across all trading desks are reviewed by the global market risk forum and recommended for approval at Review ERRF in accordance with the risk appetite defined by the board. Limit reviews approved at Review ERRF are noted at Policy ERRF with significant changes to limits presented 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 weekly to Review ERRF or more often depending on market conditions.

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 2018				31 March 2017			
R'million	**Year end**	**Average**	**High**	**Low**	**Year end**	**Average**	**High**	**Low**
95% (one-day)								
Commodities	–	0.1	1.5	–	0.1	0.1	0.5	–
Equities	3.9	3.1	7.4	1.4	1.6	2.5	7.8	1.2
Foreign exchange	1.7	2.9	9.1	0.9	3.7	1.7	5.3	0.9
Interest rates	2.4	2.2	4.7	0.3	0.8	1.6	3.2	0.6
Consolidated*	**3.2**	**4.6**	**13.3**	**2.1**	**4.1**	**3.4**	**9.1**	**1.5**

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

Expected shortfall

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

R'million **For the year to 31 March**	**2018**	**2017**
Commodities	0.1	0.1
Equities	7.2	3.5
Foreign exchange	3.7	4.6
Interest rates	4.1	1.5
Consolidated*	**8.7**	**5.3**

* *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 (diversification).*

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 2018 Year end	31 March 2017 Year end
99% 1-day sVaR	12.0	9.7

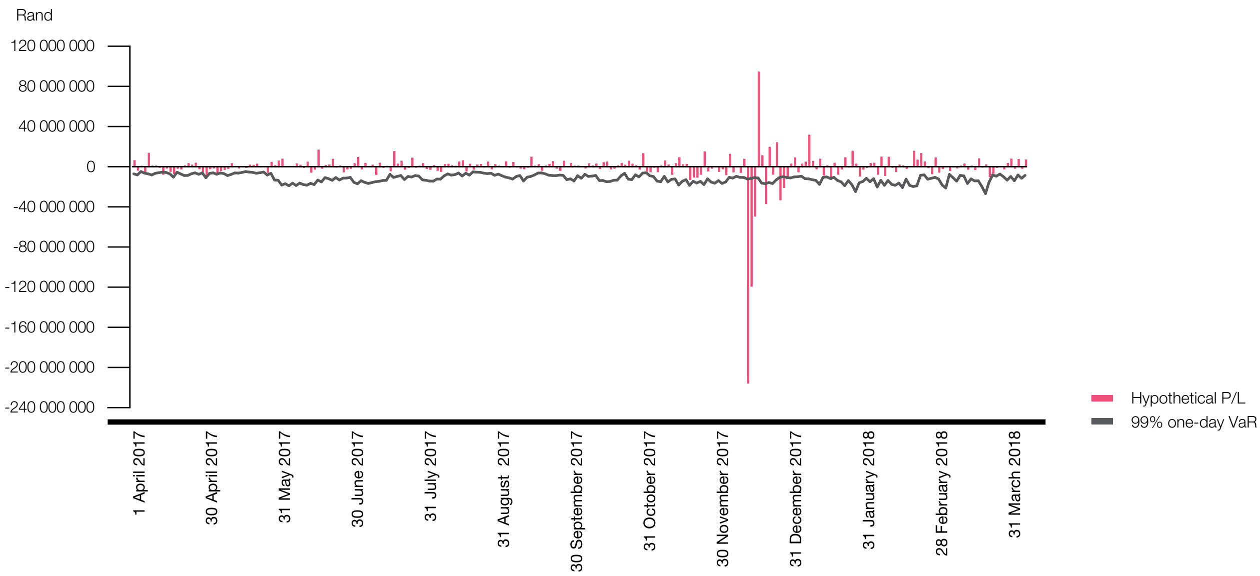
Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily hypothetical 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 2018 was higher than the previous year, primarily due to higher VaR utilisation on the foreign exchange and interest rate trading desks. The graph below is for the consolidated South African trading book and is based on hypothetical profit and loss, which excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions. The nine exceptions were primarily as a result of the Steinhoff share price collapse in December 2017 (refer to page 24 for additional information).

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

	31 March 2018				
R'million	**Year end**	**Average**	**High**	**Low**	**31 March 2017 Year end**
99% (using 99% EVT)					
Commodities	0.2	0.4	4.8	0.1	0.2
Equities	13.6	20.0	70.4	7.1	24.9
Foreign exchange	20.1	18.7	43.0	2.5	8.1
Interest rates	13.5	18.5	70.8	1.7	7.7
Consolidated**	**29.3**	**32.6**	**83.2**	**8.6**	**15.7**

** *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 (diversification).*

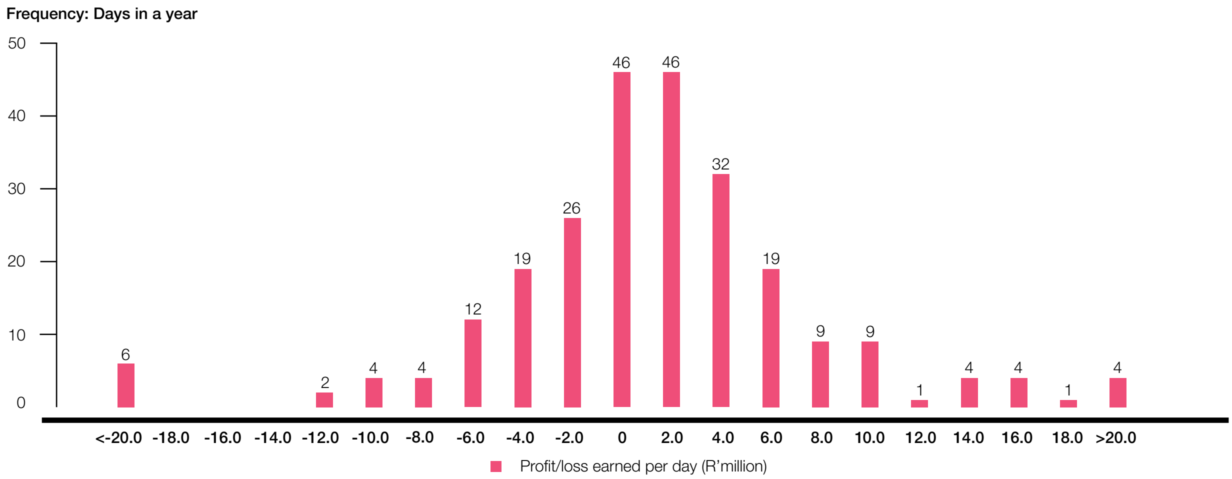
Capital

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.

Profit and loss histograms

The histogram below illustrates the distribution of hypothetical profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 129 days out of a total of 248 days in the trading business. The average daily trading revenue generated for the year to 31 March 2018 was – R0.7 million (2017: R4.5 million) due to a higher number of tail losses at the end of 2017.

Profit and loss



Traded market risk year in review

In South Africa, during the year the markets were impacted by local factors, in particular, political policy uncertainty prior to the ANC elective conference in December. The primary focus of the bank's trading desks remains to facilitate the demand of our clients with limited proprietary risk taken. This is reflected by the low levels of market risk exposures as well as VaR throughout the year. The 95% one-day VaR ended the year at R3.2 million, down R0.9 million from the previous year. Market risk exposures across all trading desks remained low throughout the year.

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 185 and 186 of the Investec Bank Limited group and company annual financial statements 2018.

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 Asset and Liability Committees (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, GRCC and BRCC as well as summarised reports for 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 bank has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the bank'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 the bank's liquidity position.

The bank 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.

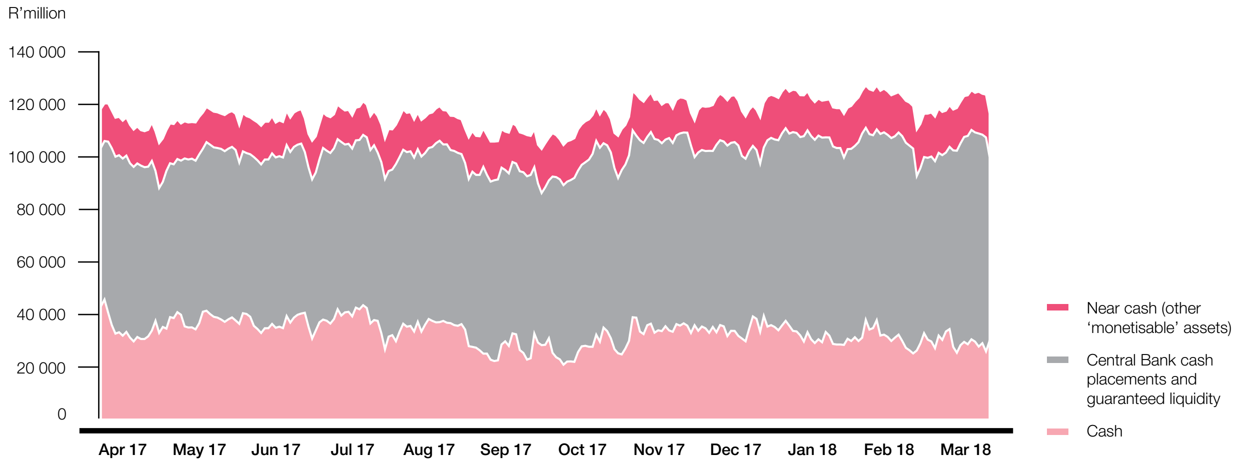
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors,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

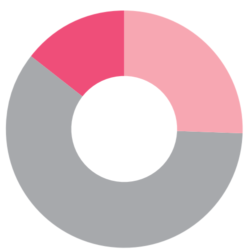
Liquidity buffer

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 Bank Limited cash and near cash trend



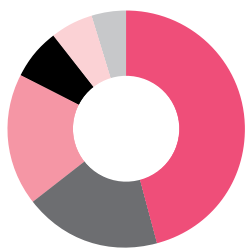
An analysis of cash and near cash at 31 March 2018



R116 533 million

Cash	25.8%
Central Bank cash placements and guaranteed liquidity	59.9%
Near cash (other 'monetisable' assets)	14.3%

Bank and non-bank depositor concentration by type at 31 March 2018



R346 500 million

Other financials	45.9%
Non-financial corporates	18.8%
Individuals	17.8%
Banks	7.1%
Small business	5.9%
Public sector	4.5%

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R116.5 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.

Liquidity mismatch

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

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

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

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

- *Liquidity buffer:* the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the bank would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of 'available-for-sale' 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 2018

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	21 369	3 487	940	–	165	491	–	26 452
Cash and short-term funds – non-banks	9 418	304	271	–	–	–	–	9 993
Investment/trading assets and statutory liquids	63 695	11 701	4 372	3 127	2 307	19 245	24 522	128 969
Securitised assets	53	8	43	91	147	1 548	5 181	7 071
Advances	7 200	5 257	11 779	15 676	25 543	121 239	61 045	247 739
Other assets	(2 234)	9 440	1 959	(105)	(197)	1 180	6 798	16 841
Assets	**99 501**	**30 197**	**19 364**	**18 789**	**27 965**	**143 703**	**97 546**	**437 065**
Deposits – banks	(868)	(1 140)	(2 196)	(396)	(6 869)	(13 138)	–	(24 607)
Deposits – non-banks	(136 031)	(21 961)	(65 423)	(24 505)	(37 762)	(33 810)	(2 401)	(321 893)
Negotiable paper	–	(3)	(79)	(358)	(2 494)	(539)	–	(3 473)
Securitised liabilities	–	–	–	–	–	–	(1 551)	(1 551)
Investment/trading liabilities	(838)	(4 153)	(1 418)	(1 825)	(4 765)	(12 753)	(855)	(26 607)
Subordinated liabilities	–	(858)	(17)	(9)	–	(3 057)	(9 433)	(13 374)
Other liabilities	(603)	(46)	–	(76)	–	(84)	(6 336)	(7 145)
Liabilities	**(138 340)**	**(28 161)**	**(69 133)**	**(27 169)**	**(51 890)**	**(63 381)**	**(20 576)**	**(398 650)**
Total equity	–	–	–	–	–	–	(38 415)	(38 415)
Contractual liquidity gap	**(38 839)**	**2 036**	**(49 769)**	**(8 380)**	**(23 925)**	**80 322**	**38 555**	**–**
Cumulative liquidity gap	(38 839)	(36 803)	(86 572)	(94 952)	(118 877)	(38 555)	–	

^ *Includes call deposits of R126 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 50.

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	**54 749**	**6 422**	**5 149**	**(669)**	**(6 358)**	**(162 870)**	**103 577**	**–**
Cumulative	54 749	61 171	66 321	65 652	59 293	(103 577)	–	

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.

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

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

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework
- 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. The bank does not make use of the Committed Liquidity Facility 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 ratio into our processes.

Balance sheet risk year in review

- The bank 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 economy faced major headwinds throughout 2017 driven by escalating political risks which had negative effects on the real economy. Certain ratings agencies responded to these risks by downgrading South Africa's local and foreign currency credit ratings to junk status. Concerns over the South African economy persisted throughout the year and peaked ahead of the ANC National Elective Conference in December 2017. Subsequent to that, Cyril Ramaphosa was elected President of the ANC, the ruling party. The announcement of a change of leadership within the ruling party was favourably received by investors. In response to these developments, Moody's left South Africa's key credit ratings at investment grade (Baa3) upgrading the sovereign's outlook from negative to stable.

Investec Bank Limited responded to these external challenges by concluding its \$600 million long-term foreign currency funding programme in September 2017. It raised a further \$550 million using a combination of repos, sub-debt issuances and long-term cross currency swaps. The majority of our foreign currency funding is used to augment our already strong cash balances. The bank grew its total customer deposits by 6.1% from R303 billion to R322 billion as at 31 March 2018. Our Private Bank and Cash Investments fundraising channels grew deposits by 6.5% to R132 billion over the financial year. Over the same period the wholesale ZAR only channels increased funding from R179 billion to R190 billion.

Our liquidity position is sound. Its health is evidenced by strong liquidity ratios which are monitored daily and managed to levels well above the regulatory requirement. The three-month average LCR for Investec Bank solo ended the financial year at 133.9% which is well above the current minimum level of 90% required. The NSFR has become a regulatory requirement as of January 2018. The NSFR for Investec Bank Solo amounted to 108.4% as of 31 March 2018, comfortably above the 100% regulatory minimum. We are confident of our ability to meet and exceed both of these ratios whilst continuing to meet planned asset growth targets.

We foresee a period of improved market sentiment in the 2018/19 financial year. We are well positioned to take advantage of a positive political and investment climate which will likely drive asset growth in our geography. We have worked hard to build a robust retail and wholesale funding structure which is well diversified and sufficiently malleable to meet potential challenges which may test our view over the course of the new financial 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 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 macroeconomic 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 policy dictates that long-term (>1 year) non-trading interest rate risk is materially eliminated. Where natural hedges between banking book items do not suffice to reduce the exposure within defined limits, interest rate swaps are used to transform fixed rate assets and liabilities into variable rate items.

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.

Investec 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 2018. 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	16 875	–	159	–	–	8 240	25 274
Cash and short-term funds – non-banks	9 785	–	–	–	–	208	9 993
Investment/trading assets and statutory liquids	33 289	27 818	16 566	6 258	5 959	14 003	103 893
Securitised assets	7 071	–	–	–	–	–	7 071
Advances	221 058	4 791	1 745	15 217	2 302	2 626	247 739
Other assets	–	–	–	–	–	8 205	8 205
Assets	**287 078**	**32 609**	**18 470**	**21 475**	**8 261**	**33 282**	**402 175**
Deposits – banks	(24 242)	(355)	–	(10)	–	–	(24 607)
Deposits – non-banks	(269 594)	(16 383)	(23 583)	(9 163)	(2 180)	(924)	(321 827)
Negotiable paper	(2 531)	(321)	(518)	(103)	–	–	(3 473)
Securitised liabilities	(1 551)	–	–	–	–	–	(1 551)
Investment/trading liabilities	(1 752)	–	–	(197)	(686)	(824)	(3 459)
Subordinated liabilities	(10 464)	(1 943)	–	(441)	–	(526)	(13 374)
Other liabilities	–	–	–	(57)	(27)	(6 304)	(6 388)
Liabilities	**(310 134)**	**(19 002)**	**(24 101)**	**(9 971)**	**(2 893)**	**(8 578)**	**(374 679)**
Intercompany loans	19 026	(602)	(3 378)	(2 768)	(177)	235	12 336
Total equity	–	–	–	–	(1 544)	(36 871)	(38 415)
Balance sheet	**(3 030)**	**13 005**	**(9 009)**	**8 736**	**3 647**	**(11 844)**	**1 417**
Off-balance sheet	(1 643)	53	9 590	(5 866)	(3 551)	–	(1 417)
Repricing gap	**(4 673)**	**13 058**	**581**	**2 870**	**96**	**(11 932)**	**–**
Cumulative repricing gap	(4 673)	8 385	8 966	11 836	11 932	–	

Economic value sensitivity at 31 March 2018

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. 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	787.9	9.6	2.1	1.1	1.2	(1.8)	**998.3**
200bps up	(525.0)	(9.1)	(2.2)	(1.4)	(0.6)	–	**(728.2)**

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 D1/2018.

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 2018 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 2018 month-end values.

The minimum LCR requirement is 90% for 2018, increasing by 10% each year to 100% on 1 January 2019. This applies to both IBL bank solo and IBL consolidated group.

The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 70% from 1 January 2018.

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 4% of total HQLA. As of 1 December 2017, we no longer make 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 2017 quarter-end:

The average LCR increased slightly, by 1.5%, 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. The consolidated group LCR is almost on a par with IBL solo's, with the increase being due to IBM adopting the standard in the jurisdiction.

R'million	Investec Bank Limited Bank Solo – Total weighted value	Investec Bank Limited Consolidated group – Total weighted value
High quality liquid assets (HQLA)	79 327	80 106
Net cash outflows	59 272	60 179
Actual LCR (%)	**133.9**	**133.2**
Required LCR (%)	90.0	90.0

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 01/2018.

The values in the table are calculated as at 31 March 2018.

The minimum NSFR requirement is 100%. This applies to both IBL bank 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 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 to non-financial customers 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 96% 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.

R'million	Investec Bank Limited Bank Solo – Total weighted value	Investec Bank Limited Consolidated group – Total weighted value
Available stable funding (ASF)	268 129	281 049
Required stable funding (RSF)	247 436	256 344
Actual NSFR (%)	**108.4**	**109.6**
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 impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

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

The bank'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 challenging the business lines' inputs to, and outputs from, the group's 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.

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 bank is willing to accept.

Operational risks are managed in accordance with the level of risk appetite. Any breaches of limits are escalated to the GRCC and the BRCC on a regular basis.

Management and measurement of operational risk

Regulatory capital

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

As part of the 2017 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 group, supported by the risk culture and enhanced on a continual basis in line with regulatory developments. Included in the framework are policies, practices and processes which facilitate the identification, assessment, mitigation, monitoring and reporting of operational risk.

The bank'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	Scenario 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 informs 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, but plausible scenarios are assessed to identify and manage significant operational risk exposures. The output of this evaluation provides 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

Overall risk events and losses are managed within appetite. The majority of operational risk events occurred in the process failure risk event category. The value of these events is driven by a few events which are significant in value.

The second largest risk event category was external fraud, mainly driven by credit card fraud. These losses remained within risk appetite despite an increase in credit card fraud across the industry.

Mitigation required to minimise the occurrence of these events remains an area of focus.

Looking forward

Key operational risk considerations for the year ahead

Definition of risk	Management, mitigation approach and priorities for 2018/2019
Business continuity	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintain continuity through appropriate resilience strategies that cater for all disruptions, irrespective of the cause. The strategies include, but are not limited to relocating impacted business to alternate processing sites, the application of high availability technology solutions and ensuring physical solutions for critical infrastructure components • Enhance the group's global resilience capability through a team of dedicated resources and robust governance processes • Incorporate resilience into business operations to lessen the impact of disruptions • Conduct ongoing validation of recovery strategies to ensure they remain effective and appropriate • Participate in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks
Cyber security	
Risk associated with cyber attacks which can interrupt client services or business processes, or result in financial losses	• Maintain a risk-based cyber security strategy to ensure the group is adequately protected against advanced and targeted cyber attacks • Manage an adaptive cyber security architecture, supported by relevant policies and ongoing staff awareness • Continue to expand visibility, coverage, and proactive reporting of cyber controls to ensure they are effective and consistent • Improve and mature evolving cyber security prediction, prevention, detection and response capabilities • Establish secure IT system development and testing practices to ensure they are secure both by design and in operation • Enhance cyber resilience through effective, coordinated security incident response, aligned to disaster recovery and business continuity processes
Financial crime	
Risk associated with fraud, bribery, corruption, theft, money laundering, terrorist financing, tax evasion, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	**Anti-Money Laundering (AML), Terrorist Financing and Sanctions** • Enhancement of AML and Sanctions control systems across the group • Policies, procedures and minimum standards are reviewed regularly to ensure they remain relevant, robust and current to prevent and 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 bodies to manage legislative requirements through engagements with regulators **Fraud** • Enhance the group's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintain the Integrity Line to ensure staff is able to report regulatory breaches, allegations of bribery, fraud and corruption, and non-compliance with policies • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with regulations, industry guidance and best practice • Continue to focus on training staff and clients 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 2018/2019
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 • Implement strong security controls to protect information against unauthorised access or disclosure from both internal and external threats • Manage role-based access to systems and data in support of least-privilege and segregation of duty principles • Develop mechanisms to monitor for, identify, and guard against data loss • Establish effective security monitoring to proactively identify and swiftly respond to suspicious activity • Align practices and controls to ensure compliance with the rapidly changing legal and regulatory privacy requirements • Safeguard and monitor information flows to enhance visibility and to ensure that data remains accurate, relevant, and protected
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
Process failure	
Risk associated with inadequate internal processes, including human errors and control failures 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 and continuous automation of processes • Segregation of incompatible 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 81) • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop
Technology	
Risk associated with the disruptions to the IT systems which underpin our critical business processes and client services	• Align architecture across the group to reduce technical complexity and leverage common functions and processes • Enhance operational processes to better control IT changes in order to minimise business impact and recurrence • Drive automation and proactive monitoring of the technology environment to reduce human error whilst enhancing efficiency • Implement strategic infrastructure and application roadmaps to improve technology capacity, scalability and resilience • Maintain and test IT recovery capabilities to withstand system failures and safeguard against service disruptions • Establish effective technology and operational monitoring for oversight of the adequacy and effectiveness of IT systems and processes

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 group operational risk management and group 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 are to document how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec Limited. The plans are reviewed and approved by the board on an annual basis.

The recovery plans for Investec Limited:

- 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 how the group could be affected by the 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
- Assess how the group might recover 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'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, engagement 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 give rise to the rights and remedies anticipated when the transaction was entered into.

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 South African financial sector regulatory landscape has been under review for the last few years. The new Twin Peaks regulatory structure came into effect on 1 April 2018, with the South African Prudential Authority being dedicated to prudential supervision and the Financial Sector Conduct Authority (FSCA), previously the Financial Services Board, being the dedicated conduct regulator for all financial institutions. Although the conduct of financial institutions is currently regulated under various pieces of legislation, this will change under the new regulatory structure. The resultant strategic and operational impact is expected to last for the next few years.

Capital management and allocation

Regulatory capital – Investec Bank Limited

Current regulatory framework

Investec Limited is regulated by the South African Prudential Authority in South Africa.

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. In view of the implementation of the Basel III framework on 1 January 2013, 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 assess 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 and process supervisory review (ICAAP). In terms of the Regulations, Investec Limited is required to maintain 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 CCyB buffer requirements. The institution specific CCyB requirement is calculated based on private sector non-bank exposures held in BCBS member jurisdictions in which a buffer rate has been set. As at 31 March 2018 Investec Limited is holding an institution specific CCyB of 0.016% of RWE. Investec Limited continues to hold capital in excess of relevant capital minima's and capital buffer requirements.

Investec Limited currently uses the standardised approach to calculate its credit and 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.

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 above minimum requirements at all times.

Regulatory considerations

Banks Act Directive 5 of 2017 directs South African banks regarding the classification of impairments as either general (GP) or specific (SP) under IFRS 9 during the interim approach, the transitional arrangements of the ECL accounting provisions for regulatory capital purposes, the disclosure requirements relating to such transitional arrangements as well as requirements regarding the auditing of the balances and adjustments that shall be implemented once IFRS 9 becomes effective. Banks that opt for a transition period shall follow a static approach (a once off calculation of the impact) and apply a three year transition period, amortised on a straight-line basis as specified in the Directive. Investec Limited will be applying the IFRS 9 transitional arrangements on regulatory capital from 1 April 2018. In addition, the South African Prudential Authority issued Banks Act Guidance note 3 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, revisions to the securitisation framework, standardised approach for measuring counterparty credit risk and the new large exposures framework. The remainder of the regulatory reforms are likely to be implemented in Southern Africa in line with BCBS timelines on 1 January 2022. 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.

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.

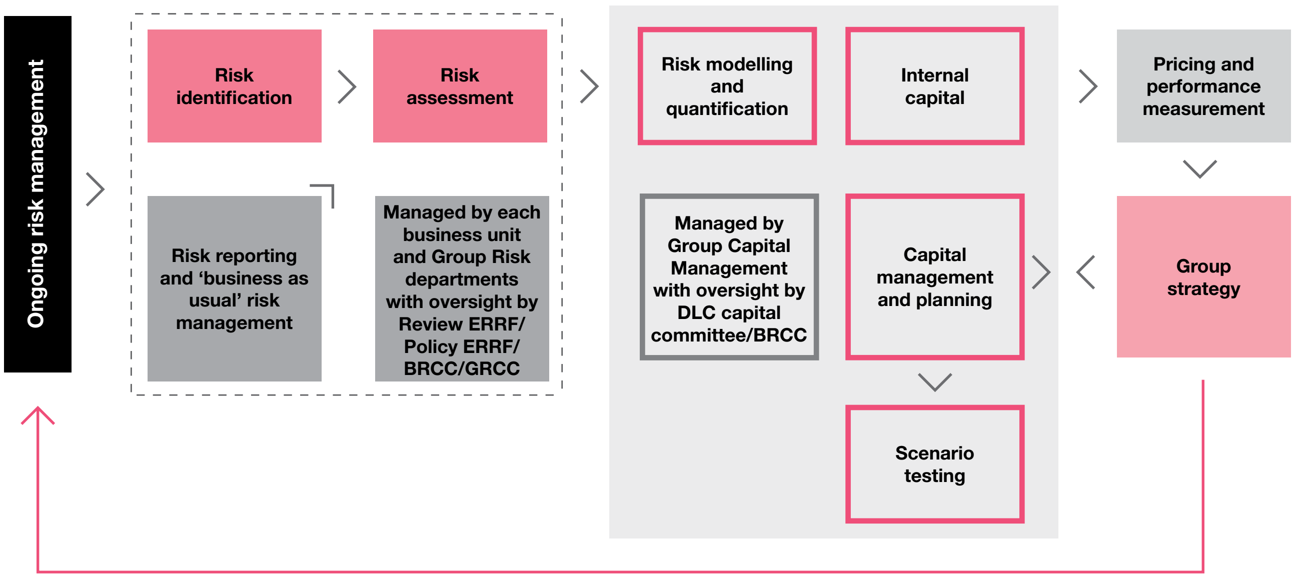
At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the DLC capital committee and the BRCC are presented with the potential variability in capital adequacy and are responsible, 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 I minimum capital requirements, Pillar II supervisory review process and Pillar III market discipline. Pillar III 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 III disclosures for the ‘silo’ entity holding companies and its significant banking subsidiaries on a consolidated basis, will be available on the Investec group website.

Risk management framework

The (simplified) integration of risk and capital management



Capital disclosures

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

Capital management and allocation

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 198 to 203 of the Investec Bank Limited group and company annual financial statements 2018.

At 31 March R'million	2018^	2017^
Tier 1 capital		
Shareholders' equity	36 531	33 631
Shareholders' equity per balance sheet	38 065	35 165
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	994	896
Cash flow hedging reserve	994	896
Deductions	(2 696)	(679)
Goodwill and intangible assets net of deferred tax	(583)	(679)
Investment in financial entity	(2 113)	–
Common equity tier 1 capital	**34 829**	**33 848**
Additional tier 1 capital before deductions	**963**	**767**
Additional tier 1 instruments	1 884	1 534
Phase out of non-qualifying additional tier 1 instruments	(921)	(767)
Tier 1 capital	**35 792**	**34 615**
Tier 2 capital	**14 009**	**13 501**
Collective impairment allowances	635	321
Tier 2 instruments	13 374	13 180
Total regulatory capital	**49 801**	**48 116**
Risk-weighted assets	**320 607**	**313 010**
Capital ratios		
Common equity tier 1 ratio	10.9%	10.8%
Tier 1 ratio	11.2%	11.1%
Total capital adequacy ratio	15.5%	15.4%

^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 13bps lower (31 March 2017: 13bps lower).*

Capital management and allocation *(continued)*

Capital requirements

At 31 March R'million	2018	2017
Capital requirements	**35 668**	**33 649**
Credit risk	28 870	25 529
Equity risk	2 521	4 730
Counterparty credit risk	655	574
Credit valuation adjustment risk	697	199
Market risk	502	413
Operational risk – standardised approach	2 423	2 204

Risk-weighted assets

At 31 March R'million	2018	2017
Risk-weighted assets	**320 607**	**313 010**
Credit risk	259 494	237 474
Equity risk	22 663	44 007
Counterparty credit risk	5 887	5 335
Credit valuation adjustment risk	6 269	1 848
Market risk	4 515	3 847
Operational risk – standardised approach	21 779	20 499

Leverage ratios

At 31 March R'million	2018^	2017^
Exposure measure	**466 846**	**457 030**
Tier 1 capital	35 792	34 615
Leverage ratio – current**	**7.7%#**	**7.6%#**
Tier 1 capital 'fully loaded'	35 179	33 848
Leverage ratio – 'fully loaded'^^**	**7.5%#**	**7.4%#**

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

\# *Based on revised BIS rules.*

^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 13bps lower (31 March 2017: 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 regular capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

Movement in total regulatory capital

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

Total regulatory capital flow statement

At 31 March R'million	2018	2017
Opening common equity tier 1 capital	**33 848**	**31 475**
Dividends	(1 437)	(1 031)
Profit after taxation	4 673	3 229
Movement in other comprehensive income	(336)	1 104
Goodwill and intangible assets (deduction net of related tax liability)	96	16
Investment in financial entity	(2 113)	–
Other, including regulatory adjustments and transitional arrangements	98	(945)
Closing common equity tier 1 capital	**34 829**	**33 848**
Opening additional tier 1 capital	**767**	**920**
New additional tier 1 capital issues	350	–
Other, including regulatory adjustments and transitional arrangements	(154)	(153)
Closing additional tier 1 capital	**963**	**767**
Closing tier 1 capital	**35 792**	**34 615**
Opening tier 2 capital	**13 501**	**10 726**
New tier 2 capital issues	2 273	4 870
Redeemed capital	(2 205)	(2 519)
Collective impairment allowances	314	92
Other, including regulatory adjustments and transitional arrangements	126	332
Closing tier 2 capital	**14 009**	**13 501**
Closing total regulatory capital	**49 801**	**48 116**

A summary of capital adequacy and leverage ratios

As at 31 March	2018^	2017^
Common equity tier 1 (as reported)	10.9%	10.8%
Common equity tier 1 ('fully loaded')^^	10.9%	10.8%
Tier 1 (as reported)	11.2%	11.1%
Total capital adequacy ratio (as reported)	15.5%	15.4%
Leverage ratio* – current	7.7%#	7.6%#
Leverage ratio* – 'fully loaded'^^	7.5%#	7.4%#

Based on revised BIS rules.

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

^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 13bps lower (31 March 2018: 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 regular capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

Revised quantitive standardised table and templates

KM1: Key metrics

The following section provides an overview of the key prudential regulatory metrics covering Investec Bank Limited group's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratio and Net Stable Funding Ratio of the group's performance and trend's over time.

			a	b	c	d	e
At 31 March 2018 R'million			**31 March 2018**	**31 December 2017**	**30 September 2017**	**30 June 2017**	**31 March 2017**
Available capital (amounts)							
1	Common Equity Tier 1 (CET1)		34 829	34 167	34 161	34 465	33 847
1a	Fully loaded ECL accounting model		–	–	–	–	–
2	Tier 1		35 792	34 935	34 928	35 232	34 614
2a	Fully loaded ECL accounting model Tier 1		–	–	–	–	–
3	Total capital		49 801	48 932	48 927	50 639	48 115
3a	Fully loaded ECL accounting model and total capital		–	–	–	–	–
Risk-weighted assets (amounts)							
4	Total risk-weighted assets (RWA)	N1	320 607	320 929	322 619	324 047	313 010
Risk-based capital ratios as a percentage of RWA							
5	Common Equity Tier 1 (%)		10.9	10.6	10.6	10.6	10.8
5a	Fully loaded ECL accounting model Common Equity Tier 1		–	–	–	–	–
6	Tier 1 ratio (%)		11.2	10.9	10.8	10.9	11.1
6a	Fully loaded ECL accounting model Tier 1 (%)		–	–	–	–	–
7	Total capital ratio (%)		15.5	15.2	15.2	15.6	15.4
7a	Fully loaded ECL accounting model total capital ratio (%)		–	–	–	–	–
Additional CET1 buffer requirements as a percentage of RWA							
8	Capital conservation buffer requirement (2.5% from 2019) (%)		1.9	1.3	1.3	1.3	1.3
9	Countercyclical buffer requirement (%)		–	–	–	–	–
10	Bank G-SIB and/or D_SIB additional requirements (%)		–	–	–	–	–
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)		1.9	1.3	1.3	1.3	1.3
12	CET1 available after meeting the bank's minimum capital requirements) (%)	N2	3.5	3.4	3.3	3.4	3.6
Basel III leverage ratio							
13	Total Basel III leverage ratio exposure measure		466 846	461 387	450 723	445 879	457 032
14	Basel III leverage ratio (%) (row 2.row 13)		7.7	7.6	7.7	7.9	7.6
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)		–	–	–	–	–
Liquidity coverage ratio							
15	Total HQLA		80 106	76 144	73 239	69 101	70 083
16	Total net cash flow – outflow		60 179	53 265	52 186	47 833	49 128
17	LCR ratio (%)	N3	133.2	130.4	124.9	127.4	144.0
Net stable funding ratio		N4					
18	Total available stable funding		281 049	–	–	–	–
19	Total required stable funding		256 344	–	–	–	–
20	NSFR ratio		109.6	–	–	–	–

Investec Bank Limited group adopted IFRS9 on 1 April 2018. All disclosures in the table above related to fully loaded ECL accounting model have therefore been left blank and will be disclosed going forward.

KM1: Key metrics

(continued)

Notes:

N1: Total RWA is inclusive of countercyclical buffer (CCyB) reciprocity of RWA add-on requirements.

N2: Minimum requirements are disclosed excluding any D-SIB or Pillar 2B requirements as specified in the Banks Act Circular 5 of 2014.

N3: In order to limit reliance on cross-border liquidity flows, for the full year since March 2017 we have adopted a conservative approach, and have applied the LCR's cap on cash inflows not only at Group level but also at entity level, resulting in a lower reported consolidated LCR ratio (line 17) than would result from applying the cap only at Group level. Prior to the current March 2018 period, the *Total net cash outflow* (line 16) amount is shown before applying the cap, whereas this now reflects the amount after applying the cap. This reads more consistently for the daily amounts contributing to the quarterly averages reported in the table above. The formula *LCR ratio (%) = Total net cash outflow* holds.

N4: NSFR disclosures are only required from relevant reporting periods commencing after 1 January 2018.

OV1: Overview of RWA

The following section provide an overview of total RWA forming the denominator of the risk-based under Pillar 1 capital requirements.

			a	b		c
			Risk-weighted assets			Minimum capital requirements
	R'million	Notes	31 March 2018	31 December 2017	31 March 2017	31 March 2018
1	**Credit risk (excluding counterparty credit risk) (CCR)**	N1	**246 522**	**247 870**	**234 435**	**27 426**
2	Of which standardised approach (SA)		246 522	247 870	**234 435**	27 426
3	Of which internal rating-based (IRB) approach		–	–	**–**	–
4	**Counterparty credit risk**	N2	**12 155**	**9 174**	**7 183**	**1 352**
5	Of which standardised approach for counterparty credit risk (CEM-CCR)		12 155	9 174	**7 183**	1 352
6	**Of which internal model method (IMM)**		**–**	**–**	**–**	**–**
7	Equity positions in banking book under market-based approach	N3	22 663	25 974	44 007	2 521
8	Equity investments in funds – look-through approach		–	–	–	–
9	Equity investments in funds – mandate-based approach		–	–	–	–
10	Equity investments in funds – fall-back approach		–	–	–	–
11	Settlement risk		–	–	**–**	–
12	**Securitisation exposures in banking book**		**2 282**	**2 418**	**2 119**	**254**
13	Of which IRB ratings-based approach (RBA)		–	–	**–**	–
14	Of which IRB Supervisory Formula Approach (SFA)		–	–	**–**	–
15	Of which SA/simplified supervisory formula approach (SSFA)		2 282	2 418	2 119	254
16	**Market risk**	N4	**4 515**	**3 875**	**3 847**	**502**
17	Of which standardised approach (SA)		251	92	**446**	28
18	Of which internal model approaches (IMM)		4 264	3 783	**3 401**	474
19	**Operational risk**	N4	**21 779**	**22 207**	**20 499**	**2 423**
20	Of which Basic Indicator Approach		–	–	–	–
21	Of which Standardised Approach		21 779	22 207	20 499	2 423
22	Of which Advanced Measurement Approach		–	–	–	–
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	N5	10 639	9 411	920	1 184
24	Floor adjustment		–	–	–	–
25	**Total (1+6+10+11+12+13+14+15+16+20+23+24)**	N6	**320 555**	**320 929**	**313 010**	**35 662**

The minimum capital requirements in column (c) are based on the SARB minimum capital requirements of 11.125% and excludes Investec's domestic significant important bank (DSIB) and Pillar 2B add-on in line with the Banks Act circular 5 of 2014.

The commentary for the movement in risk-weighted assets (RWA) below is based on comparisons between March 2017 and March 2018. The previous quarter is included for completeness of the OV1 table.

Movement in risk-weighted assets (RWA)

The bank's RWA increased from R313 billion to R320.6 billion. Credit risk-weighted assets grew by R12.1 billion, mainly associated with lending growth. Operational risk grew by R1.3 billion, a function of higher profitability, noting that the calculation is updated bi-annually in September and March.

Notes:

N1: The Private client activities mainly contributed to the RWA increase through consistent growth in lending activities secured by residential and commercial real estate. In addition our corporate and institutional banking business contributed to the increase from term and short-dated corporate lending. The downgrade of South Africa's credit rating to sub-investment grade resulted in a further increase of R3 billion. Our regulatory treatment of certain investments were adjusted to that of an investment holding vehicle resulting in an increase in other asset risk weights (included in credit) of R9.2 billion.

N2: The group applied the current exposure method (CEM) to calculate required capital for over-the-counter (OTC) exposures and the standardised approach (TSA) for security financing transactions (SFT). Counterparty credit risk RWA is the sum of OTC, SFT, CVA, central counterparty and default fund contribution of which the increase is mainly attributable to an increase in CVA RWA.

N3: Equity risk decreased by R21.3 billion over the period. The decrease was mainly attributable to our regulatory treatment of certain investments which were adjusted to that of an investment holding vehicle.

N4: Market and operational risk RWA reported is derived by multiplying calculated required capital with 12.5. Operational risk is calculated using the standardised approach and is driven by the levels of the average income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

N5: Values relate to investment in significant financial entities and deferred tax assets below the 10% threshold exposures risk-weighted at 250%.

N6: Excludes the countercyclical buffer RWA add-on.

Linkages between financial statements and regulatory exposures LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories

The table below provides a breakdown of how the amounts reported in the published financial statements correspond to the regulatory risk categories.

	a	b
At 31 March 2018 R'million	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**
Assets		
Cash and balances at central banks	9 187	9 187
Loans and advances to banks	17 265	17 347
Non-sovereign and non-bank cash placements	9 993	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	20 480	20 480
Sovereign Debt Securities	62 403	62 403
Bank Debt Securities	8 051	8 051
Other Debt Securities	10 342	10 342
Derivative financial instruments	12 586	12 586
Trading Book Securities arising from customer flows	875	875
Investment Portfolio	7 943	5 227
Loans and advances to customers	247 474	247 474
Own originated loans and advances to customers securitised	6 830	6 830
Other Loans and Advances	265	265
Other Securitised Assets	241	241
Interests in associated undertakings	6 288	6 288
Deferred taxation assets	586	586
Other assets	6 686	6 748
Property; plant and equipment	2 494	2 494
Investment Properties	1	4 237
Goodwill	171	171
Intangible Assets	412	412
Non-current assets classified as held for resale	–	–
Insurance assets; including unit-linked assets	–	–
Intergroup	13 499	13 499
Investment in Subsidiary Companies	–	–
	444 072	**445 736**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–
	444 072	**445 736**
Liabilities		
Deposits by banks	24 607	25 373
Derivative financial instruments	15 907	15 907
Other trading liabilities	2 305	2 305
Repurchase agreements and cash collateral on securities lent	8 395	8 395
Customer accounts	321 893	321 893
Debt securities in issue	3 473	4 226
Liabilities arising on sec of own originated loans and advances	1 551	1 551
Liabilities arising on securitisation of other assets	–	–
Current taxation liability	202	205
Deferred taxation liabilities	99	101
Other liabilities	6 844	6 937
Loans from group companies and subsidiaries	7 007	7 007
	392 283	**393 901**
Liabilities to customers under investment contracts	–	–
Insurance liabilities; including unit-linked liabilities	–	–
	392 283	**393 901**
Subordinated liabilities	13 374	13 374
	405 657	**407 275**

The difference between columns (a) and (b) arises from our investment in Investec Property Fund being recorded as a listed equity exposure in the financial statements whilst being proportionately consolidated under the regulatory scope of consolidation. There were no other differences noted between columns (a) and (b).

Carrying values reported in columns (a) and (b) correspond to values reported in the financial statements net of impairments and write-offs. Values in columns (c) to (g) are based on column (b), the sum of which may not be equal as some exposures are subject to regulatory capital charges in more than one risk category.

Linkages between financial statements and regulatory exposures
LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories

(continued)

c	d	e	f	g
Carrying values of items				
Subject to credit risk framework	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
9 187	–	–	–	–
17 347	–	–	1 172	–
9 993	–	–	–	–
5 385	15 095	–	7 061	–
62 403	–	–	–	–
7 550	–	501	–	–
8 408	–	1 934	–	–
–	12 586	–	14 578	–
875	–	–	875	–
5 227	–	–	–	–
247 474	–	–	–	–
4 735	–	2 097	–	–
265	–	–	–	–
–	–	–	–	–
6 288	–	–	–	–
586	–	–	–	–
6 748	–	–	925	–
2 494	–	–	–	–
4 237	–	–	–	–
–	–	–	–	171
–	–	–	–	412
–	–	–	–	–
–	–	–	–	–
13 499	–	–	3 004	–
–	–	–	–	–
412 701	**27 681**	**4 532**	**27 615**	**583**
–	–	–	–	–
412 701	**27 681**	**4 532**	**27 615**	**583**
–	–	–	–	–
–	15 907	–	19 838	–
–	–	–	2 305	–
–	8 395	–	917	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	523	–
–	–	–	–	–
–	**24 302**	**–**	**23 583**	**–**
–	–	–	–	–
–	–	–	–	–
–	**24 302**	**–**	**23 583**	**–**
–	**–**	**–**	**–**	**–**
–	**24 302**	**–**	**23 583**	**–**

Exposures subject to the counterparty credit risk (CCR) framework in column (d) include exposures in the banking and trading books in line with regulatory requirements. CCR exposures in the trading book also considered for market risk requirements and are included in both columns (d) and (f).

All exposures in our trading book were disclosed as being subject to the market risk framework.

Intangible assets and goodwill are excluded from regulatory capital.

Linkages between financial statements and regulatory exposures
LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories

(continued)

At 31 March 2017 R'million	a Carrying values as reported in published financial statements	b Carrying values under scope of regulatory consolidation
Assets		
Cash and balances at central banks	8 353	8 353
Loans and advances to banks	31 937	31 937
Non-sovereign and non-bank cash placements	8 993	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	26 627	26 627
Sovereign debt securities	47 822	47 822
Bank debt securities	7 758	7 758
Other debt securities	11 945	11 945
Derivative financial instruments	9 856	9 856
Securities arising from trading activities	653	653
Investment portfolio	7 204	4 774
Loans and advances to customers	225 669	225 669
Own originated loans and advances to customers securitised	7 776	7 776
Other loans and advances	310	310
Other securitised assets	100	100
Interests in associated undertakings	5 514	5 514
Deferred taxation assets	388	388
Other assets	5 266	5 314
Property and equipment	274	274
Investment properties	1	4 260
Goodwill	171	171
Intangible assets	508	508
Intergroup	18 106	18 106
Investment in subsidiaries	–	–
Non-current assets classified as held for resale	456	456
	425 687	**427 564**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–
	425 687	**427 564**
Liabilities		
Deposits by banks	32 378	33 127
Derivative financial instruments	12 556	12 556
Other trading liabilities	1 667	1 667
Repurchase agreements and cash collateral on securities lent	7 825	7 825
Customer accounts (deposits)	303 397	303 397
Debt securities in issue	5 823	6 532
Liabilities arising on securitisation of own originated loans and advances	673	673
Liabilities arising on securitisation of other assets	–	–
Current taxation liabilities	977	982
Deferred taxation liabilities	109	109
Other liabilities	5 995	6 093
Loans from group companies and subsidiaries	5 942	5 942
	377 342	**378 903**
Liabilities to customers under investment contracts	–	–
Insurance liabilities, including unit-linked liabilities	–	–
	377 342	**378 903**
Subordinated liabilities	13 180	13 180
	390 522	**392 083**

Linkages between financial statements and regulatory exposures
LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories

(continued)

c	d	e	f	g
Carrying values of items				
Subject to credit risk framework	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
8 353	–	–	–	–
31 937	–	–	1 460	–
8 993	–	–	–	–
5 074	21 514	–	6 429	–
47 822	–	–	–	–
7 252	–	505	–	–
10 198	–	2 217	–	–
–	12 942	–	9 987	–
392	–	–	653	–
4 774	–	–	–	–
225 669	–	154	–	–
6 824	–	959	–	–
310	–	–	–	–
–	–	–	–	–
5 514	–	–	–	–
388	–	–	–	–
5 314	–	–	1 065	–
274	–	–	–	–
4 260	–	–	–	–
–	–	–	–	171
–	–	–	–	508
18 106	–	–	1 498	–
–			–	
456	–	–	–	–
391 910	**34 456**	**3 835**	**21 092**	**679**
–	–	–	–	–
391 910	**34 456**	**3 835**	**21 092**	**679**
–	–	–	–	–
–	12 556	–	16 909	–
–	–	–	1 667	–
–	7 825	–	1 018	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	1 312	–
–	**20 381**	**–**	**20 906**	**–**
–	–	–	–	–
–	–	–	–	–
–	**20 381**	**–**	**20 906**	**–**
–	–	–	–	–
–	**20 381**	**–**	**20 906**	**–**

Linkages between financial statements and regulatory exposures

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(continued)

The table below reports the main sources of differences between the financial statements carrying value amounts and the exposure amounts used for regulatory purposes.

		b	c	d	e
		Items subject to:			
At 31 March 2018 R'million		**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**412 701**	**4 532**	**27 681**	**27 615**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–	–	(24 302)	(23 583)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	412 701	4 532	3 379	4 032
4	Less: Differences in valuations	24 825	2 097	–	–
5	Less: Differences due to consideration of provisions	1 459	–	–	–
6	**On-balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**386 417**	**2 435**	**3 379**	**4 032**
7	Off-balance sheet amount before CCF and CRM	82 996			
8	**Exposure amounts considered for regulatory purposes**	**469 413**	**2 435**	**3 379**	**4 032**

		b	c	d	e
		Items subject to:			
At 31 March 2017 R'million		**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**391 910**	**3 835**	**34 456**	**21 092**
2	Liabilities carrying value amount of exposures under scope of regulatory consolidation	–	–	(20 381)	(20 906)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	391 910	3 835	14 075	186
4	Differences in valuations	10 991	959	–	–
5	Differences due to consideration of provisions	1 235	–	–	–
6	**On-balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**379 684**	**2 876**	**14 075**	**186**
7	Off-balance sheet amount	86 290	–	–	–
8	**Total exposure considered for regulatory purposes**	**465 974**	**2 876**	**14 075**	**186**

Column (a) was excluded above as it does not represent a value meaningful to the bank's assessment of its exposure to risk.

Differences in valuations for credit risk exposures relate to certain exposures being calculated on a daily average balance basis compared to a closing day balance in the financial statements as well as variances in terms of accounting netting compared to the grossing up of exposures for regulatory purposes.

Carrying values of exposures in the financial statements as per LI1 are reported net of impairments whereas the regulatory exposure amounts are considered gross of impairments. The provision amount of R1.5 billion consists of both the specific and portfolio impairment values.

The off-balance sheet exposure of R83 billion is the regulatory exposure before CRM and CCF (R24.2 billion post CRM and CCF). The variance between the off-balance sheet exposure on page 83 of R65.2 billion and the regulatory exposure pre CRM and CCF relate to the exclusion of revocable facilities.

Columns (d) and (e) row 8 represents counterparty credit risk and market risk values net of assets and liabilities as measured under the accounting framework. The regulatory framework to measure counterparty credit risk exposures includes potential future exposure and a market risk value at risk (VaR) number and is therefore not comparable, although the accounting values form the basis for consideration into these regulatory frameworks.

CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

The purpose of the CCyB1 table below is to provide an overview of the private sector credit exposures relevant for the calculation of the countercyclical capital buffer.

	a	b	c	d	e
		Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer			
At 31 March 2018 Geographical Breakdown	Countercyclical capital buffer rate	Exposure values	Risk-weighted assets	Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
Total adjustment	**0.0159%**	**373 936**	**230 948**	**–**	**51**

The countercyclical capital buffer rate in column (a) has been calculated as the weighted average buffers within the BCBS jurisdictions to which Investec Bank Limited have private sector credit exposures and applied it to total group wide RWA consistent with it being an extension of the capital conservation buffer. As at 31 March 2018 no CCyB rate has been specified for South Africa by the SARB, as reported in column (d). The amount in column (e) is added to total RWA and represents the difference between row 4 in table KM1 and row 25 in table OV1.

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure (January 2014 standard)

The purpose of the LR1 table below is to reconcile the total assets in the published financial statements to the leverage ratio exposure measure and relates to quarter-end disclosures as at 31 March 2018.

		a
1	Total consolidated assets as per published financial statements	444 072
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	(1 749)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	(3 791)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	31 010
7	Other adjustments	(2 696)
8	**Leverage ratio exposure measure**	**466 846**

Total assets and adjustments to fiduciary assets relate to balances reflected in column (a) of the LI1 table for purposes of the leverage ratio exposure measure.

LR2: Summary comparison of accounting assets vs leverage ratio exposure measure (January 2014 standard)

The purpose of the LR2 table below is to provide a detailed breakdown of the components of the leverage ratio denominator.

		a	b
		31 March 2018	**31 December 2017**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	412 461	407 717
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4 149)	(3 770)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**408 312**	**403 947**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	8 270	10 099
5	Add-on amounts for PFE associated with all derivatives transactions	4 235	3 337
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
8	(Exempted CCP leg of client-cleared trade exposures)	(1 668)	(838)
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**10 837**	**12 598**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	15 376	14 689
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
14	CCR exposure for SFT assets	1 311	1 412
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**16 687**	**16 101**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	82 996	76 686
18	(Adjustments for conversion to credit equivalent amounts)	(51 986)	(47 945)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**31 010**	**28 741**
Capital and total exposures			
20	Tier 1 capital	35 792	34 935
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**466 846**	**461 387**
Leverage ratio			
22	**Basel III leverage ratio**	**7.7**	**7.6**

LIQ1: Liquidity Coverage Ratio (LCR)

The purpose of the LIQ1 table below is to present the breakdown of a bank's cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to the LCR standard.

		a	b
At 31 March 2018		**Total unweighted value (average)**	**Total weighted value (average)**
High-quality liquid assets			
1	Total HQLA		80 106
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**65 870**	**6 587**
3	Stable deposits	–	–
4	Less stable deposits	65 870	6 587
5	**Unsecured wholesale funding, of which:**	**105 384**	**76 142**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	104 704	75 462
8	Unsecured debt	680	680
9	**Secured wholesale funding**	**–**	**923**
10	**Additional requirements, of which:**	**57 342**	**10 900**
11	Outflows related to derivative exposures and other collateral requirements	9 888	5 609
12	Outflows related to loss of funding on debt products	5	5
13	Credit and liquidity facilities	47 449	5 286
14	Other contractual funding obligations	**326**	**326**
15	**Other contingent funding obligations**	**82 993**	**4 113**
16	**Total cash outflows**		**98 990**
Cash inflows			
17	**Secured lending (e.g. reverse repos)**	**17 217**	**7 095**
18	**Inflows from fully performing exposures**	**37 853**	**34 449**
19	**Other cash inflows**	**2 694**	**2 231**
20	**Total cash inflows**	**57 764**	**43 775**

			Total adjusted value
21	**Total HQLA**		**80 106**
22	**Total net cash outflows**		**60 179**
23	**Liquidity Coverage Ratio (%)**		**133.2**

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 3 of the Basel III liquidity accord, as specified by BCBS d400 (2017) and Directive D1/2018.

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 2018 for Investec Bank Limited (IBL) bank solo.

LIQ1: Liquidity Coverage Ratio (LCR)

(continued)

The minimum LCR requirement is 90% for 2018, increasing to 100% on 1 January 2019.The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 70% from 1 January 2018.

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 group (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows. The consolidated group LCR is almost on a par with IBL solo's, with the increase being due to IBM adopting the standard in the jurisdiction.

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 SARB repo.

On average, Level 2 assets contributed 4% of total HQLA. As of 1 December 2017, we no longer make use of the SARB's committed liquidity facility (CLF).

Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2017 quarter-end:

The average LCR increased slightly, by 1.5%, and remains fully compliant with regulatory requirements, and within the target range as set by the Board.

LIQ2: Net Stable Funding Ratio (NSFR)

		a	b	c	d	e
		Unweighted value by residual maturity				
At 31 March 2018 (in currency amount)		No maturity	<6 months	6 months to <1 year	>1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	40 271	–	–	13 662	53 934
2	Regulatory capital	40 271	–	–	13 662	53 934
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	71 485	6 333	3 207	1 208	74 130
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	71 485	6 333	3 207	1 208	74 130
7	Wholesale funding	76 732	109 373	45 954	54 385	148 592
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	76 732	109 373	45 954	54 385	148 592
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	5 701	2 765	830	15 341	4 393
12	NSFR derivative liabilities	–	–	–	15 341	–
13	All other liabilities and equity not included in the above categories	5 701	2 765	830	–	4 393
14	**Total ASF**	**–**	**–**	**–**	**–**	**281 049**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	10 842
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities	32 913	73 027	26 216	196 776	217 594
18	Performing loans to financial institutions secured by Level 1 HQLA	–	6 860	–	–	686
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	9 201	34 866	4 705	23 442	36 079
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	15 968	30 285	20 760	101 838	124 212
21	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	–	–	3 749	2 437
22	Performing residential mortgages, of which:	–	577	544	57 794	38 127
23	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	577	544	57 794	38 127
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	7 744	439	207	13 702	18 490
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	20 645	–	43	37 221	24 064
27	Physical traded commodities, including gold	–	–	–	–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	325	276
29	NSFR derivative assets	–	–	–	14 824	–
30	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	19 919	1 992
31	All other assets not included in the above categories	20 645	–	43	2 153	21 796
32	Off-balance sheet items	–	156 064	–	–	3 844
33	**Total RSF**	**–**	**–**	**–**	**–**	**256 344**
31	**Net Stable Funding Ratio (%)**	**–**	**–**	**–**	**–**	**109.6**

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.

The values in the table are calculated as at 31 March 2018, the minimum NSFR requirement is 100% in South Africa.

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

- The customer type and residual maturity of deposits are the key drivers of required 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 required stable funding. Lower weightings apply to mortgages, shorter-term loans to non-financial customers and especially HQLA.

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 group (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 96% 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.

CR1: Credit quality of assets

The following table provides a breakdown of the credit quality of on and off balance sheet assets (gross and net of impairments) and reconciles to the amounts reported in the annual financial statements.

		a	b	c	d
		Gross carrying values of			
At 31 March 2018 R'million		**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values (a+b-c)**
1	**Loans**	**3 002**	**256 006**	**(1 459)**	**257 549**
1a	Loans and advances to customers	2 857	246 046	(1 428)	247 474
1b	Own originated loans and advances to customers	–	6 836	(6)	6 830
1c	Other loans and advances	145	3 124	(25)	3 245
2	**Debt securities**	**–**	**90 789**	**–**	**90 789**
2a	Non-sovereign and non-bank cash placements	–	9 993	–	9 993
2b	Sovereign debt securities	–	62 403	–	62 403
2c	Bank debt securities	–	8 051	–	8 051
2d	Other non-structured debt securities	–	9 197	–	9 197
2e	Other structured debt securities	–	1 145	–	1 145
2f	Other securitised assets	–	–	–	–
3	**Off-balance sheet exposures**	**–**	**65 195**	**–**	**65 195**
4	**Total**	**3 002**	**411 990**	**(1 459)**	**413 533**

		a	b	c	d
		Gross carrying values of			
At 31 March 2017 R'million		**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values (a+b-c)**
1	**Loans**	**3 753**	**233 320**	**(1 235)**	**235 838**
1a	Loans and advances to customers	3 612	223 259	(1 204)	225 667
1b	Own originated loans and advances to customers	–	7 781	(6)	7 775
1c	Other loans and advances	141	2 280	(25)	2 396
2	**Debt securities**	**–**	**76 518**	**–**	**76 518**
2a	Non-sovereign and non-bank cash placements	–	8 993	–	8 993
2b	Sovereign debt securities	–	47 822	–	47 822
2c	Bank debt securities	–	7 758	–	7 758
2d	Other non-structured debt securities	–	10 133	–	10 133
2e	Other structured debt securities	–	1 812	–	1 812
2f	Other securitised assets	–	–	–	–
3	**Off-balance sheet exposures**	**–**	**67 837**	**–**	**67 837**
4	**Total**	**3 753**	**377 675**	**(1 235)**	**380 193**

Net values reported in CR1 column (d) above are reported as the carrying accounting values per the annual financial statements whereas values in table CR3 represent the exposure at default (EAD) measured for regulatory purposes.

The group applies a consistent definition to default for regulatory and accounting purposes.

Off-balance sheet exposures are reported gross of credit risk mitigation (CRM) and credit conversion factors (CCF) and exclude revocable commitments.

Credit risk
CR2: Changes in stock of defaulted loans and debt securities

The table below depicts the changes in Investec Bank Limited group's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

	R'million	a
1	**Defaulted loans and debt securities at 31 March 2017**	**3 753**
2	Loans and debt securities that have defaulted since the last reporting period	771
3	Returned to non-defaulted status	(147)
4	Amounts written off	(751)
5	Other changes	(624)
6	**Defaulted loans and debt securities at 31 March 2018**	**3 002**

	R'million	a
1	**Defaulted loans and debt securities at 31 March 2016**	**3 253**
2	Loans and debt securities that have defaulted since the last reporting period	1 857
3	Returned to non-defaulted status	(93)
4	Amounts written off	(525)
5	Other changes	(739)
6	**Defaulted loans and debt securities at 31 March 2017**	**3 753**

CR3: Credit risk mitigation (CRM) techniques – overview

The following table reports the extent of use of CRM techniques used to reduce capital requirements as well as the extent of exposures secured by collateral and/or guarantees.

		a	b	c	d	e	f	g
	At 31 March 2018 R'million	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	189 058	98 972	86 496	6 267	5 965	–	–
2	Debt securities	77 093	6 790	2 255	78	78	–	–
	Off-balance sheet	55 524	26 792	26 293	963	963	–	–
3	**Total**	**321 675**	**132 554**	**115 044**	**7 308**	**7 006**	**–**	**–**
4	Of which defaulted	1 768	1 272	769	–	–	–	–

		a	b	c	d	e	f	g
	At 31 March 2017 R'million	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	199 228	83 740	75 501	9 727	7 347	–	–
2	Debt securities	62 898	8 965	2 830	–	–	–	–
	Off-balance sheet	63 504	25 095	22 611	174	173	–	–
3	**Total**	**325 630**	**117 800**	**100 942**	**9 901**	**7 520**	**–**	**–**
4	Of which defaulted	1 676	1 174	873	–	–	–	–

The secured exposures in column (b) and (c) are reported as EAD pre any credit conversion factors or mitigation in the current reporting period and only contains exposures that have security against them either in full or partially.

All exposures not secured by either eligible collateral or guarantees is regarded as unsecured.

Where an exposure is secured by both eligible collateral and/or a qualifying guarantee, the relevant secured EAD is duplicated in columns (b) to (e).

The group does not make use of any credit derivative instruments for purposes of reducing capital requirements. We have credit-linked notes (CLNs) that serve as protection against credit exposures, however since these CLNs are fully funded, they function as cash collateral and are reported as such in the table.

Credit risk
CR4: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

The table below illustrates the effect of eligible collateral (measured on the comprehensive approach) as defined in the standardised approach for credit risk.

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
At 31 March 2018 R'million		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Asset classes						
1	Sovereigns and their central banks	65 331	–	69 319	336	1 841	2.6%
2	Non-central government public sector entities	6 424	200	4 452	101	1 021	22.4%
3	Multilateral development banks	–	–	–	84	–	0.0%
4	Banks	14 653	269	13 756	132	6 846	49.3%
5	Securities firms	–	1	–	1	1	100.0%
6	Corporates	118 952	43 859	95 725	9 008	102 436	97.8%
7	Regulatory retail portfolios	7 024	6 641	6 542	1 581	6 095	75.0%
8	Secured by residential property	65 388	21 663	70 467	9 935	33 001	41.0%
9	Secured by commercial real estate	83 667	10 147	77 807	3 030	80 701	99.8%
10	Equity	5 746	–	5 746	–	22 663	394.4%
11	Past-due loans	3 021	216	2 300	25	2 625	112.9%
12	Higher risk categories	–	–	–	–	–	0.0%
13	Other assets	16 211	–	16 211	–	22 594	139.4%
14	**Total**	**386 417**	**82 996**	**362 325**	**24 233**	**279 824**	**72.4%**

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
At 31 March 2017 R'million		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Asset classes						
1	Sovereigns and their central banks	57 571	1 944	62 042	1 957	2 905	4.5%
2	Non-central government public sector entities	7 551	1 898	5 545	652	1 578	25.5%
3	Multilateral development banks	–	–	–	41	–	–
4	Banks	33 866	3 465	34 255	3 457	11 102	29.4%
5	Securities firms	–	1	–	1	1	100.0%
6	Corporates	118 286	45 876	96 784	11 167	100 842	93.4%
7	Regulatory retail portfolios	5 661	6 843	5 303	1 678	5 237	75.0%
8	Secured by residential property	58 806	18 623	63 385	8 483	29 326	40.8%
9	Secured by commercial real estate	74 415	7 637	69 507	1 897	71 296	99.8%
10	Equity	10 745	–	10 745	–	44 007	409.6%
11	Past-due loans	3 321	3	2 526	1	3 055	120.9%
12	Higher risk categories	–	–	–	–	–	–
13	Other assets	9 462	–	9 462	–	10 014	105.8%
14	**Total**	**379 684**	**86 290**	**359 554**	**29 334**	**279 363**	**71.8%**

Columns (c) and (d) represent the substituted asset class where applicable.

RWA is driven by exposures to corporates 27%, commercial real estate 21% and sovereigns 18% in the current reporting period compared to 28%, 18% and 17% respectively in the prior reporting period.

The following is further relevant to the table:

The carrying value of exposures considered for credit risk of R412.7 billion in LI1 compared to the R404.7 billion on page 24 are largely as a result of the different classification of exposures between equity, derivative and securitisation risk assessed from an internal risk management perspective compared to a regulatory classification in LI2 of R386.4 billion.

Past due assets are disclosed separately independent of asset class.

RWA density provides a synthetic metric on riskiness of each portfolio and is derived by dividing RWA in column (e) with the sum of columns (c) and (d).

Equity exposures are calculated based on the market based approach (simple risk weight method) after the application of a 1.06 scaling factor as required by SARB. Listed equity are risk-weighted at 318% and unlisted equity at 424%.

The on-balance sheet exposures in column (a) are reported gross of impairment, CCF and CRM. Off-balance sheet exposures in column (b) include revocable facilities.

Credit exposure post-CCF and post-CRM in columns (c) and (d) are the amounts to which risk-weighted assets are applied to.

Past due loans reported follows the same definition of default as applied in table CR1 but includes revocable facilities and average balances where relevant as measured under the Regulations.

Credit risk
CR5: Standardised approach – exposures by asset classes and risk weights

The table below presents the breakdown of credit risk exposures under the standardised approach and equity exposures under the market-based approach by asset class and risk weight, corresponding to the RW% as reflected in columns (a) to (i).

		a	b	c
At 31 March 2018 R'million		**0%**	**10%**	**20%**
	Risk weight			
	Asset classes			
1	Sovereigns and their central banks	67 719	–	–
2	Non-central government public sector entities (PSEs)	–	–	4 187
3	Multilateral development banks (MDBs)	84	–	–
4	Banks	50	–	7 357
5	Securities firms	–	–	–
6	Corporates	1 694	–	7
7	Regulatory retail portfolios	–	–	–
8	Secured by residential property	–	–	–
9	Secured by commercial real estate	–	–	–
10	Equity	–	–	–
11	Past-due loans	–	–	–
12	Higher risk categories	–	–	–
13	Other assets	–	–	–
14	**Total**	**69 547**	**–**	**11 551**

		a	b	c
At 31 March 2017 R'million		**0%**	**10%**	**20%**
	Risk weight			
	Asset classes			
1	Sovereigns and their central banks	58 740	–	–
2	Non-central government public sector entities (PSEs)	–	–	5 069
3	Multilateral development banks (MDBs)	41	–	–
4	Banks	50	–	26 541
5	Securities firms	–	–	–
6	Corporates	4 775	–	2 040
7	Regulatory retail portfolios	–	–	–
8	Secured by residential property	–	–	4
9	Secured by commercial real estate	–	–	–
10	Equity	–	–	–
11	Past-due loans	–	–	–
12	Higher risk categories	–	–	–
13	Other assets	–	–	–
14	**Total**	**63 606**	**–**	**33 654**

Exposure values reported in table CR5 reconcile to the aggregate exposure of columns (c) and (d) in table CR4 allocated across specified risk weight bands.

CR5: Standardised approach – exposures by asset classes and risk weights

(continued)

d	e	f	g	h	i	j
35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post CRM)
–	190	–	1 746	–	–	69 655
–	366	–	–	–	–	4 553
–	–	–	–	–	–	84
–	2 389	–	4 092	–	–	13 888
–	–	–	1	–	–	1
–	2 259	98	100 675	–	–	104 733
–	–	8 112	11	–	–	8 123
71 862	–	2 765	5 775	–	–	80 402
–	–	540	80 297	–	–	80 837
–	–	–	–	–	5 746	5 746
–	197	–	1 332	796	–	2 325
–	–	–	–	–	–	–
–	–	–	11 955	–	4 256	16 211
71 862	**5 401**	**11 515**	**205 884**	**796**	**10 002**	**386 558**

d	e	f	g	h	i	j
35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post CRM)
–	4 708	–	551	–	–	63 999
–	1 128	–	–	–	–	6 197
–	–	–	–	–	–	41
–	10 654	–	467	–	–	37 712
–	–	–	1	–	–	1
–	1 389	86	99 634	27	–	107 951
1	–	6 980	–	–	–	6 981
64 432	–	2 628	4 804	–	–	71 868
–	–	431	70 973	–	–	71 404
–	–	–	–	–	10 745	10 745
–	253	1	963	1 310	–	2 527
–	–	–	–	–	–	–
–	–	–	9 094	–	368	9 462
64 433	**18 132**	**10 126**	**186 487**	**1 337**	**11 113**	**388 888**

Counterparty credit risk
CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

The following table provides a summary of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

		a	b	c	d	e	f
At 31 March 2018 R'million		**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	CEM-CCR (for derivatives)	10 101	3 307	–	1	7 469	5 415
2	Internal Model Method (for derivatives and SFTs)	–	–	–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	1 311	438
5	VaR for SFTs	–	–	–	–	–	
6	**Total**						**5 853**

		a	b	c	d	e	f
At 31 March 2017 R'million		**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	CEM-CCR (for derivatives)	8 369	3 471	–	1	7 148	4 704
2	Internal Model Method (for derivatives and SFTs)	–	–	–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	1 467	625
5	VaR for SFTs	–	–	–	–	–	
6	**Total**	**–**	**–**	**–**	**–**	**–**	**5 329**

Counterparty credit risk RWA in table OV1 on page 70 of R12.2 billion (including CCR, CVA and CCPs), represent 3.8% of the total bank RWA as at 31 March 2018.

CEM-CCR is the regulator-prescribed method for calculating the counterparties exposure for derivative instruments. It works by taking the net replacement cost of all derivatives (as per signed netting agreements), adding a potential future exposure (PFE) component (based on the notional and underlying type referred to as Anet where netting exists and Agross where no netting exists) and then subtracting any eligible collateral.

Counterparty credit risk exposures reported above include OTC derivative exposures and exclude CVA charges or exposures cleared through a CCP.

Replacement cost in column (a) is reported as the net replacement cost where ISDA agreements exist.

SA-CCR will replace the CEM-CCR methodology to calculate capital requirements for OTC effective in South Africa from 1 March 2019.

CCR2: Credit valuation adjustment (CVA) capital charge

The following table provides a summary of the CVA regulatory calculation under the standardised approach.

		a	b
At 31 March 2018 R'million		**EAD post CRM**	**RWA**
	Total portfolios subject to the advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)	–	–
2	(ii) Stressed VaR component (including the 3×multiplier)	–	–
3	All portfolios subject to the standardised CVA capital charge	6 105	6 269
4	**Total subject to the CVA capital charge**	**6 105**	**6 269**

		a	b
At 31 March 2017 R'million		**EAD post CRM**	**RWA**
	Total portfolios subject to the advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)	–	–
2	(ii) Stressed VaR component (including the 3×multiplier)	–	–
3	All portfolios subject to the standardised CVA capital charge	5 959	1 843
4	**Total subject to the CVA capital charge**	**5 959**	**1 843**

Credit valuation adjustment (CVA) in the regulatory context is a capital charge to take into account possible volatility in the value of derivative instruments due to changes in the credit quality of the bank's counterparty. Exchange traded and centrally cleared derivatives are exempt from the CVA capital charge due to the fact that the exchange or clearing house takes on the credit risk of the transaction and as such there should be no volatility.

The increase in CVA RWA is mainly attributable to a deterioration in the external credit ratings of public sector entities of which credit ratings requires a higher multiplier for CVA capital charges.

Counterparty credit risk
CCR3: Standardised approach of CCR exposures by regulatory portfolio and risk weights

The following table provides a breakdown of counterparty credit risk exposures excluding all CVA exposures that are reported in CCR2 as well as exposures to central counterparties which is reported in CCR8, calculated according to the standardised approach: by portfolio (type of counterparties) and by risk weight.

	Risk weight		
	a	b	c
At 31 March 2018 **R'million**	**0%**	**10%**	**20%**
Regulatory portfolio			
Sovereigns	–	–	–
Non-central government public sector entities (PSEs)	–	–	451
Multilateral development banks (MDBs)	–	–	–
Banks	60	–	1 371
Securities firms	–	–	–
Corporates	104		146
Regulatory retail portfolios	–	–	–
Other assets			
Total	**164**	**–**	**1 968**

	Risk weight		
	a	b	c
At 31 March 2017 **R'million**	**0%**	**10%**	**20%**
Regulatory portfolio			
Sovereigns	–	–	–
Non-central government public sector entities (PSEs)	–	–	197
Multilateral development banks	–	–	–
Banks	124	–	1 941
Securities firms	–	–	–
Corporates	114	–	243
Regulatory retail portfolios	–	–	–
Other assets	–	–	–
Total	**238**	**–**	**2 381**

CCR3: Standardised approach of CCR exposures by regulatory portfolio and risk weights

(continued)

Risk weight					
d	e	f	g	h	i
50%	75%	100%	150%	Others	Total credit exposure
–	–	802	–	–	802
–	–	19	448	–	918
–	–	–	–	–	–
2 637	–	212	–	–	4 280
50	–	6	–	–	56
138	–	2 321	–	–	2 709
–	15	–	–	–	15
					–
2 825	**15**	**3 360**	**448**	**–**	**8 780**

Risk weight					
d	e	f	g	h	i
50%	75%	100%	150%	Others	Total credit exposure
40	–	–	–	–	40
57	–	–	–	–	254
–	–	–	–	–	–
2 047	–	–	–	–	4 112
–	–	–	–	–	–
144	–	3 705	–	–	4 206
–	4	–	–	–	4
–	–	–	–	–	–
2 288	**4**	**3 705**	**–**	**–**	**8 616**

Counterparty credit risk
CCR5: Composition of collateral for CCR exposure

The following table provides a breakdown of types of collateral posted or received by the bank to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs.

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
At 31 March 2018 R'million	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	4 582	–	852	–	–	3 857
Cash – other currencies	1 043	–	2 454	–	–	11 519
Domestic sovereign debt	–	–	–	–	3 373	–
Other sovereign debt	–	–	–	–	2 344	–
Government agency debt	–	–	–	–	188	–
Corporate bonds	–	–	–	–	4 017	–
Equity securities	77	–	–	–	–	–
Other collateral	366	–	–	–	4 143	–
Total	**6 068**	**–**	**3 306**	**–**	**14 065**	**15 376**

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
At 31 March 2017 R'million	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	1 653	–	320	–	668	10 263
Cash – other currencies	314	–	4 748	–	395	11 198
Domestic sovereign debt	–	–	–	–	9 062	–
Other sovereign debt	–	–	–	–	502	–
Government agency debt	–	–	–	–	566	50
Corporate bonds	–	–	–	–	5 060	–
Equity securities	–	–	–	–	–	–
Other collateral	23	–	–	–	4 859	1 067
Total	**1 990**	**–**	**5 068**	**–**	**21 112**	**22 578**

Segregated refers to collateral which is held in a bankruptcy-remote manner.

CCR6: Credit derivatives exposures

The following table summarises the extent of the bank's exposures to traded credit derivative transactions broken down between derivatives bought or sold.

	a	b
At 31 March 2018 **R'million**	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	2	1 421
Index credit default swaps	–	–
Total notionals	**2**	**1 421**
Fair values		
Positive fair value (asset)	2	1 421
Negative fair value (liability)	–	–

	a	b
At 31 March 2017 **R'million**	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	201	47
Index credit default swaps	373	143
Total return swaps	**574**	**190**
Fair values		
Positive fair value (asset)	16	298
Negative fair value (liability)	(17)	(1)

The bank does not make use of any credit derivative instruments for the purpose of reducing capital requirements.

Counterparty credit risk
CCR8: Exposures to central counterparties

		a	b
At 31 March 2018 **R'million**		**EAD (post-CRM)**	**RWA**
1	**Exposures to QCCPs (total)**	**2 593**	**34**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	1 668	33
5	(iii) Securities financing transactions	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	915	–
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	10	1
10	Unfunded default fund contributions	–	–
11	**Exposures to QCCPs (total)**	–	–
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
13	(i) OTC derivatives	–	–
14	(ii) Exchange-traded derivatives	–	–
15	(iii) Securities financing transactions	–	–
16	(iv) Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	–
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

Counterparty credit risk
CCR8: Exposures to central counterparties

		a	b
At 31 March 2017 **R'million**		**EAD (post-CRM)**	**RWA**
1	**Exposures to QCCPs (total)**	**1 578**	**12**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	529	11
5	(iii) Securities financing transactions	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	1 038	–
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	11	1
10	Unfunded default fund contributions	–	–
11	**Exposures to QCCPs (total)**	–	–
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
13	(i) OTC derivatives	–	–
14	(ii) Exchange-traded derivatives	–	–
15	(iii) Securities financing transactions	–	–
16	(iv) Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	–
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

Securitisation
SEC1: Securitisation exposures in the banking book

The following table presents the bank's securitisation exposures in its banking book split between special purpose vehicles where we have acted as an originator and/or investor.

		a	b	c
		Bank acts as originator		
At 31 March 2018 **R'million**		**Traditional**	**Synthetic**	**Sub-total**
1	**Retail (total) – of which**	**647**	**–**	**647**
2	residential mortgage	647	–	647
3	credit card	–	–	–
4	other retail exposures	–	–	–
5	resecuritisation	–	–	–
6	**Wholesale (total) – of which**	**–**	**–**	**–**
7	loans to corporates	–	–	–
8	commercial mortgage	–	–	–
9	lease and receivables	–	–	–
10	other wholesale	–	–	–
11	resecuritisation	–	–	–

		a	b	c
		Bank acts as originator		
At 31 March 2017 **R'million**		**Traditional**	**Synthetic**	**Sub-total**
1	**Retail (total) – of which**	379	–	379
2	residential mortgage	379	–	379
3	credit card	–	–	–
4	other retail exposures	–	–	–
5	resecuritisation	–	–	–
6	**Wholesale (total) – of which**	–	–	–
7	loans to corporates	–	–	–
8	commercial mortgage	–	–	–
9	lease and receivables	–	–	–
10	other wholesale	–	–	–
11	resecuritisation	–	–	–

The bank only transacts in traditional securitisation schemes and none of the underlying assets or exposures relate to resecuritised assets.

Exposures where the bank has acted as the originator relate to retained positions of issued notes and first loss positions provided to the securitisation structures.

Securitisation exposures where the bank has acted as an investor are the investment positions purchased in third party deals.

Asset classes/rows reported above are classified based on the underlying exposures.

	e	f	g	i	j	k
	Bank acts as sponsor			Bank acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
	–	**–**	**–**	**1 642**	**–**	**1 642**
	–	–	–	1 642	–	1 642
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	**–**	**–**	**146**	**–**	**146**
	–	–	–	146	–	146
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–

	e	f	g	i	j	k
	Bank acts as sponsor			Bank acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
	–	–	–	2 472	–	2 472
	–	–	–	2 472	–	2 472
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	25	–	25
	–	–	–	25	–	25
	–	–	–	–	-	–
	–	–	–	–	–	–
	–	-	–	–	–	–
	–	–	–	–	-	–

Securitisation risk SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or sponsor

The following table presents securitisation exposures in the banking book where the bank acted as an originator and the associated capital requirements

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					Exposure values (by regulatory approach)	
	At 31 March 2018 R'million	**≤ 20% RW**	**> 20% to 50% RW**	**> 50% to 100% RW**	**> 100% to < 1 250% RW**	**1 250% RW**	**IRB RBA (including IAA)**	**IRB SFA**
1	**Total exposures**	**–**	**647**	**–**	**–**	**–**	**–**	**–**
2	**Traditional securitisation**	–	647	–	–	–	–	–
3	Of which securitisation	–	647	–	–	–	–	–
4	Of which retail underlying	–	647	–	–	–	–	–
5	Of which wholesale	–	–	–	–	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	–	647	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–
9	**Synthetic securitisation**	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–
13	Of which resecuritisation	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–
15	Of which non-senior	–	-	–	–	–	–	–

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					Exposure values (by regulatory approach)	
	At 31 March 2017 R'million	**≤ 20% RW**	**> 20% to 50% RW**	**> 50% to 100% RW**	**> 100% to < 1 250% RW**	**1 250% RW**	**IRB RBA (including IAA)**	**IRB SFA**
1	**Total exposures**	**–**	**379**	**–**	**–**	**–**	**–**	**–**
2	**Traditional securitisation**	–	379	–	–	–	–	–
3	Of which securitisation	–	379	–	–	–	–	–
4	Of which retail underlying	–	379	–	–	–	–	–
5	Of which wholesale	–	–	–	–	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	–	379	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–
9	**Synthetic securitisation**	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–
13	Of which resecuritisation	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–

Columns (a) to (e) are defined in relation to regulatory risk weights applied to retained exposures. The bank applied the look-through approach by applying capital requirements to the underlying assets in the scheme under the standardised approach for senior residential mortgage exposures.

Securitisation risk SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

(continued)

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		RWA (by regulatory approach)				Capital charge after cap			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
647	**–**	**–**	**–**	**964**	**–**	**–**	**–**	**107**	**–**
647	–	–	–	964	–	–	–	107	–
647	–	–	–	964	–	–	–	107	–
647	–	–	–	964	–	–	–	107	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
647	–	–	–	964	–	–	–	107	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		RWA (by regulatory approach)				Capital charge after cap			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
379	**–**	**–**	**–**	**444**	**–**	**–**	**–**	**48**	**–**
379	–	–	–	444	–	–	–	48	–
379	–	–	–	444	–	–	–	48	–
379	–	–	–	444	–	–	–	48	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
379	–	–	–	444	–	–	–	48	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	-	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
-	–	–	-	–	–	–	–	–	–

Securitisation risk is measured on the standardised approach (TSA). The bank has not applied the internal assessment approach (IAA) to unrated exposures nor has it provided implicit support to any of the special purpose institutions (SPIs). The capital charge is calculated at 11.125%.

Securitisation risk

SEC4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

(continued)

The following table presents securitisation exposures in the banking book where the bank acted as an investor and the associated capital requirements.

	a	b	c	d	e	f	g
	Exposure values (by RW bands)					Exposure values (by regulatory approach)	
At 31 March 2018 R'million	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1 250% RW	1 250% RW	IRB RBA (including IAA)	IRB SFA
1 Total exposures	**36**	**980**	**712**	**60**	**–**	**–**	**–**
2 Traditional securitisation	36	980	712	60	–	–	–
3 Of which securitisation	36	980	712	60	–	–	–
4 Of which retail underlying	–	980	–	–	–	–	–
5 Of which wholesale	36	–	712	60	–	–	–
6 Of which resecuritisation	–	–	–	–	–	–	–
7 Of which senior	36	980	712	60	–	–	–
8 Of which non-senior	–	–	–	–	–	–	–
9 Synthetic securitisation	–	–	–	–	–	–	–
10 Of which securitisation	–	–	–	–	–	–	–
11 Of which retail underlying	–	–	–	–	–	–	–
12 Of which wholesale	–	–	–	–	–	–	–
13 Of which resecuritisation	–	–	–	–	–	–	–
14 Of which senior	–	–	–	–	–	–	–
15 Of which non-senior	–	–	–	–	–	–	–

	a	b	c	d	e	f	g
	Exposure values (by RW bands)					Exposure values (by regulatory approach)	
At 31 March 2017 R'million	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1 250% RW	1 250% RW	IRB RBA (including IAA)	IRB SFA
1 Total exposures	**463**	**1 356**	**531**	**147**	**–**	**–**	**–**
2 Traditional securitisation	463	1 356	531	147	–	–	–
3 Of which securitisation	463	1 356	531	147	–	–	–
4 Of which retail underlying	463	1 356	506	147	–	–	–
5 Of which wholesale	–	–	25	–	–	–	–
6 Of which resecuritisation	–	–	–	–	–	–	–
7 Of which senior	463	1 356	531	147	–	–	–
8 Of which non-senior	–	–	–	–	–	–	–
9 Synthetic securitisation	–	–	–	–	–	–	–
10 Of which securitisation	–	–	–	–	–	–	–
11 Of which retail underlying	–	–	–	–	–	–	–
12 Of which wholesale	–	–	–	–	–	–	–
13 Of which resecuritisation	–	–	–	–	–	–	–
14 Of which senior	–	–	–	–	–	–	–
15 Of which non-senior	–	–	–	–	–	–	–

Columns (a) to (e) include the investments positions purchased in third party SPI exposures.
The bank applied the look-through approach to calculate RWA under the standardised approach (TSA) for senior investment exposures.

The reductions in exposures are due to settlement of mortgage-backed rated securitisations during the year.

SEC4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

(continued)

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		RWA (by regulatory approach)				Capital charge after cap			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
1 788	**–**	**–**	**–**	**1 318**	**–**	**–**	**–**	**147**	**–**
1 788	–	–	–	1 318	–	–	–	147	–
1 788	–	–	–	1 318	–	–	–	147	–
980	–	–	–	343	–	–	–	38	–
808	–	–	–	975	–	–	–	109	–
–	–	–	–	–	–	–	–	–	–
1 788	–	–	–	1 318	–	–	–	147	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		RWA (by regulatory approach)				Capital charge after cap			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
2 497	**–**	**–**	**–**	**1 675**	**–**	**–**	**–**	**180**	**–**
2 497	–	–	–	1 675	–	–	–	180	–
2 497	–	–	–	1 675	–	–	–	180	–
2 472	–	–	–	1 650	–	–	–	177	–
25	–	–	–	25	–	–	–	3	–
–	–	–	–	–	–	–	–	–	–
2 497	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	—	–	–	–	–	–	–	–

Market risk
MR1: Market risk under standardised approach

	At 31 March 2018 R'million	a Risk-weighted assets
	Outright products	
1	Interest rate risk (general and specific)	–
2	Equity risk (general and specific)	251
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**251**

	At 31 March 2017 R'million	a Risk-weighted assets
	Outright products	
1	Interest rate risk (general and specific)	315
2	Equity risk (general and specific)	131
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	–
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**446**

The Equity general and specific risk relates to certain products on the desk which have not been incorporated into the internal VaR model. These positions are small relative to the total book. RWA in this table is derived by multiplying the capital required by 12.5.

The table below presents a flow statement explaining variations in the market RWA determined under an internal model approach.

		a	b	c	d	e	f
At 31 March 2018 R'million		**VaR**	**Stressed VaR**	**IRC**	**CRM**	**Other**	**Total RWA**
1	RWA at previous quarter end	1 728	2 055	–	–	–	3 783
2	Movement in risk levels	219	262	–	–	–	481
3	Model updates/changes	–	–	–	–	–	–
4	Methodology and policy	–	–	–	–	–	–
5	Acquisitions and disposals	–	–	–	–	–	–
6	Foreign exchange movements	–	–	–	–	–	–
7	Other	–	–	–	–	–	–
8	RWA at the end of the reporting period	1 947	2 317	–	–	–	4 264

		a	b	c	d	e	f
At 31 March 2017 R'million		**VaR**	**Stressed VaR**	**IRC**	**CRM**	**Other**	**Total RWA**
1	RWA at previous quarter end	1 377	2 782	–	–	–	4 159
2	Movement in risk levels	(223)	(535)	–	–	–	(758)
3	Model updates/changes	–	–	–	–	–	–
4	Methodology and policy	–	–	–	–	–	–
5	Acquisitions and disposals	–	–	–	–	–	–
6	Foreign exchange movements	–	–	–	–	–	–
7	Other	–	–	–	–	–	–
8	RWA at the end of the reporting period	1 154	2 247	–	–	–	3 401

The increase in risk-weighted assets is mainly due to an increase in VaR and stressed VaR exposures across all trading desks. RWA in this table is derived by multiplying the capital required by 12.5.

Market risk
MR3: IMA values for trading portfolios
(continued)

The table below displays the values (maximum, minimum, average and period ending for the reporting period) resulting from the different types of models used for computing the regulatory capital charge at the group level, before any additional capital charge is applied by the jurisdiction.

		a
At 31 March 2018 R'million		**VaR (10-day 99%)**
1	Maximum value	85
2	Average value	44
3	Minimum value	23
4	Period end	27
		Stressed VaR (10-day 99%)
5	Maximum value	113
6	Average value	53
7	Minimum value	26
8	Period end	38
		Incremental risk charge (99.9%)
9	Maximum value	–
10	Average value	–
11	Minimum value	–
12	Period end	–
		Comprehensive risk capital charge (99.9%)
13	Maximum value	–
14	Average value	–
15	Minimum value	–
16	Period end	–
17	Floor (standardised measurement method)	**–**

Summary statistics were calculated on the 10-day VaR and sVaR figures for the full year ended 31 March 2018. The 10-day figures were obtained by multiplying the one-day figures by SQRT(10).

MR3: IMA values for trading portfolios

(continued)

		a
At 31 March 2017 R'million		**VaR (10-day 99%)**
1	Maximum value	46
2	Average value	23
3	Minimum value	12
4	Period end	23
		Stressed VaR (10-day 99%)
5	Maximum value	73
6	Average value	45
7	Minimum value	21
8	Period end	31
		Incremental risk charge (99.9%)
9	Maximum value	–
10	Average value	–
11	Minimum value	–
12	Period end	–
		Comprehensive risk capital charge (99.9%)
13	Maximum value	–
14	Average value	–
15	Minimum value	–
16	Period end	–
17	Floor (standardised measurement method)	–

5 Composition of capital disclosure requirements

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 June 2013 to 1 January 2018)

At 31 March 2018 R'million		Amounts subject to pre-Basel III treatment
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	13 397
2	Retained earnings	22 461
3	Accumulated other comprehensive income (and other reserves)	673
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–
	Public sector capital injections grandfathered until 1 January 2018	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–
6	**Common Equity Tier 1 capital before regulatory adjustments**	**36 531**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustment	–
8	Goodwill (net of related tax liability)	171
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	412
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–
11	Cash flow hedge reserve	(994)
12	Shortfall of provisions to expected losses	–
13	Securitisation gain on sale	–
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–
15	Defined benefit pension fund	–
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–
17	Reciprocal cross-holdings in common equity	–
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not won more than 10% of the issued share capital (amount above 10% threshold)	–
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	2 113
20	Mortgage servicing rights (amount above 10% threshold)	–
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–
22	Amount exceeding 15% threshold	–
23	of which: significant investments in the common stock of financials	–
24	of which: mortgage servicing rights	–
25	of which: deferred tax assets arising from temporary differences	–
26	National specific regulatory adjustments	–
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–
28	**Total regulatory adjustments to Common Equity Tier 1**	**1 702**
29	**Common Equity Tier 1 Capital (CET1) (Row 6 – Row 28)**	**34 829**

Composition of capital disclosure template

(continued)

	At 31 March 2018 R'million	Amounts subject to pre-Basel III treatment
Additional Tier 1 capital: instruments		
30	Directly issues Additional Tier 1 instruments plus related stock surplus	350
31	of which: classified as equity under applicable accounting standards	350
32	of which: classified as liabilities under applicable accounting standards	–
33	Directly issued capital instruments subject to phase out from Additional Tier 1	613
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–
35	of which: instruments issued by subsidiaries subject to phase out	–
36	**Additional Tier 1 capital before regulatory adjustments**	**963**
Additional Tier 1 capital: regulatory adjustments		
37	Instruments in own Additional Tier 1 instruments	–
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–
41	National specific regulatory adjustments	–
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–
43	**Total regulatory adjustments to Additional Tier 1 capital**	**–**
44	**Additional Tier 1 capital (AT1)**	**963**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**35 792**
Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	13 374
47	Directly issued capital instruments subject to phase out from Tier 2	2 150
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–
49	of which: instruments issued by subsidiaries subject to phase out	–
50	Provisions	635
51	**Tier 2 capital before regulatory adjustments**	**14 009**
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	–
53	Reciprocal cross-holdings in Tier 2 instruments	–
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–
56	National specific regulatory adjustments	–
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–
57	**Total regulatory adjustments to Tier 2 capital**	**–**
58	**Tier 2 capital (T2)**	**14 009**

Composition of capital disclosure template

(continued)

At 31 March 2018 R'million		Amounts subject to pre-Basel III treatment
59	**Total capital (TC = T1 + T2)**	**49 801**
	RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	320 607
	of which: Credit risk including equity exposures	282 157
	of which: Counterparty credit risk*	12 156
	of which: Market risk	4 515
	of which: Operational risk	21 779
60	**Total risk-weighted assets**	**320 607**
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.9%
62	Tier 1 (as a percentage of risk-weighted assets)	11.2%
63	Total capital (as a percentage of risk-weighted assets)	15.5%
64	Institution specific buffer requirement (minimum CET1 requirements plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk-weighted assets)	7.4%
65	of which: capital conservation buffer requirement	–
66	of which: bank specific countercyclical buffer requirement	–
67	of which: G-SIB buffer requirement	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	10.9%
National Minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	7.4%
70	National Tier 1 minimum ratio	8.9%
71	National total capital minimum ratio	11.1%
Amounts below the threshold for deductions (before risk-weighting)		
72	Non-significant investments in the capital of other financials	–
73	Significant investments in the common stock of financials	3 694
74	Mortgage servicing rights (net of related tax liability)	–
75	Deferred tax assets arising from temporary differences (net of related tax liability)	561
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposure subject to standardised approach (prior to application of cap)	635
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3 034
78	Provisions eligible for inclusion in Tier 2 in respect of exposure subject to internal ratings-based approach (prior to application of cap)	–
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–
Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

* *Counterparty credit risk includes credit valuation adjustment risk.*

Main features disclosure template

Disclosure template for main features of regulatory capital instruments

At 31 March 2018		Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IVO48U	IV08
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted	ZAE000048393	N/A	ZAG000052713
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa
	Regulatory treatment				
4	Transitional Basel III rules	CET1	AT1	AT1	Tier 2
5	Post-transitional Basel III rules	CET1	AT1	AT1	Phased out
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	CET1	AT1	AT1	Subordinated unsecured debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)[1]	13 398	1 534	350	200
9	Par value of instrument	13 398	1 534	350	200
10	Accounting classification	IFRS: Equity	IFRS: Equity	IFRS: Equity	IFRS: Accrual
11	Original date of issuance	31 March 1969	17 July 2003	22 March 2018	30 April 2008
12	Perpetual or dated	Perpetual	Perpertual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	22 March 2023	30 April 2018
	Tax and/or regulatory event	Not applicable	Not applicable	Yes	Yes
	Redemption amount	Not applicable	Not applicable	100% of principal plus interest	100% of principal plus interest
16	Subsequent call date, if applicable	Not applicable	Not applicable	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends				
17	Fixed or floating dividend coupon	Floating	Floating	Floating	Fixed
18	Coupon rate and any related index	Not applicable	83.33% of prime rate	JIBAR + 5.15%	13.735%
19	Existence of a dividend stopper	No	Yes	Yes	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	Not applicable	Not applicable	No	Yes
22	Non-cumulative or cumulative	Non-cumulative	Non-cummulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Not applicable	Not applicable	Non-convertible	Non-convertible

Main features disclosure template

(continued)

IV09	IV019	IV019A	IV025	IV026	IVO30
Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
ZAG000052721	ZAG000094442	ZAG000095779	ZAG000099680	ZAG000100041	ZAG000100553
South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Phased out	Tier 2	Tier 2	Phased out	Phased out	Tier 2
Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
Subordinated unsecured debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
200	129	368	1 000	750	444
200	64	230	1 000	750	324
IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
30 April 2008	2 April 2012	28 May 2012	12 September 2012	27 September 2012	18 October 2012
Perpetual	Dated	Dated	Dated	Dated	Dated
No maturity	31 March 2028	31 March 2028	12 September 2024	27 September 2024	31 January 2025
Yes	Yes	Yes	Yes	Yes	Yes
30 April 2018	31 March 2023	3 April 2023	12 September 2019	27 September 2019	31 January 2020
Yes	Yes	Yes	Yes	Yes	Yes
100% of principal plus interest	Investment amount plus interest plus change in price of replicated bond	Investment amount plus interest plus change in price of replicated bond	100% of principal plus interest	100% of principal plus interest	Investment amount plus interest plus change in price of replicated bond
Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
Floating	Floating	Floating	Floating	Floating	Floating
JIBAR + 3.75%	CPI-linked: 2.60%	CPI-linked: 2.60%	JIBAR + 2.5%	JIBAR + 2.45%	CPI-linked: 2.00%
No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Yes	No	No	No	No	No
Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Non-convertible	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Non-convertible	Non-convertible	Convertible or write-off as per regulation, at option of regulator

Main features disclosure template

(continued)

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2018		Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IVO48U	IV08
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	Partial or full write-off as per regulation, at option of regulator	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	PONV as defined by regulator	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Partial or full, as deemed required by regulator	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Permanent as per G7/2013	Not applicable
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1 instruments	Tier 2 instruments	Tier 1 instruments	Any amounts due and payable to Senior Creditors
36	Non-compliant transitioned features	Not applicable	Yes	No	Yes
37	If yes, specify non-compliant features	Not applicable	Excludes loss absorbency requirements	Not applicable	Incentive to redeem

1. *Amount recognised in regulatory capital pre phasing out of non-qualifying instruments which is not allocated per instrument.*

Main features disclosure template

(continued)

	IV09	IV019	IV019A	IV025	IV026	IVO30
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Not applicable	Not applicable	Partial or full write-off as per regulation, at option of regulator
	Not applicable	PONV as defined by regulator	PONV as defined by regulator	Not applicable	Not applicable	PONV as defined by regulator
	Not applicable	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Not applicable	Not applicable	Partial or full, as deemed required by regulator
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Permanent as per G7/2013
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
	Yes	No	No	Yes	Yes	No
	Incentive to redeem	Not applicable	Not applicable	No PONV in contract	No PONV in contract	Not applicable

Main features disclosure template

(continued)

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2018		IV030A	IV031	IV032	IV033
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000100884	ZAG000103722	ZAG000108051	ZAG00013342
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa
	Regulatory treatment				
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)[1]	420	500	810	159
9	Par value of instrument	350	500	810	159
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	26 October 2012	11 March 2013	14 August 2013	11 February 2016
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	31 January 2025	11 March 2025	14 August 2023	11 February 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	31 January 2020	11 March 2020	14 August 2018	11 February 2021
	Tax and/or regulatory event	Yes	Yes	Yes	Yes
	Redemption amount	Investment amount plus interest plus change in price of replicated bond	100% of principal and interest	100% of principal and interest	100% of principal and interest
16	Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends				
17	Fixed or floating dividend coupon	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	CPI-linked: 2.00%	JIBAR + 2.95%	JIBAR + 2.95%	JIBAR + 4.25%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator

Main features disclosure template

(continued)

	IV034	IV035	IV036	IV037	IV038	IV039
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000133430	ZAG000134610	ZAG000135526	Unlisted	ZAG000139593	ZAG000139700
	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
	101	1 468	32	1 182	350	166
	101	1 468	32	1 724	350	119
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	11 February 2016	17 March 2016	22 April 2016	19 October 2016	23 September 2016	29 September 2016
	Dated	Dated	Dated	Dated	Dated	Dated
	11 February 2026	7 April 2027	22 July 2026	19 October 2026	23 September 2026	31 January 2027
	Yes	Yes	Yes	Yes	Yes	Yes
	11 February 2021	7 April 2022	22 July 2021	19 October 2021	23 September 2021	31 January 2022
	Yes	Yes	Yes	Yes	Yes	Yes
	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	Inflation adjusted 100% of principal and interest
	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Fixed	Floating	Floating	Mixed rate	Floating	Mixed rate
	12.47%	JIBAR + 4.65%	JIBAR + 4.25%	LIBOR + 5.5%	JIBAR + 4.25%	CPI-linked: 2.75%
	No	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator

5

Main features disclosure template

(continued)

Composition of capital disclosure requirements

Disclosure template for main features of regulatory capital instruments *(continued)*

	At 31 March 2018	IV030A	IV031	IV032	IV033
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
31	If write-down, write-down trigger(s)	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
32	If write-down, full or partial	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

1. Amount recognised in regulatory capital pre phasing out of non-qualifying instruments which is not allocated per instrument.

Main features disclosure template

(continued)

	IV034	IV035	IV036	IV037	IV038	IV039
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
	No	No	No	No	No	No
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Main features disclosure template

(continued)

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2018		IV040	IV041	IV042	IV043
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000139718	ZAG000139726	ZAG000140708	ZAG000140765
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa
	Regulatory treatment				
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)[1]	589	190	50	150
9	Par value of instrument	589	190	50	150
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	29 September 2016	29 September 2016	18 November 2016	21 November 2016
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	29 September 2026	29 September 2026	18 November 2026	21 November 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	29 September 2021	29 September 2021	18 November 2021	21 November 2021
	Tax and/or regulatory event	Yes	Yes	Yes	Yes
	Redemption amount	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest
16	Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends				
17	Fixed or floating dividend coupon	Floating	Mixed Rate	Floating	Mixed Rate
18	Coupon rate and any related index	J + 4.25%	11,97%	J + 4.25%	12,50%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator

Main features disclosure template

(continued)

	IV044	IV045	IV046	IV047
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000141797	ZAG000141805	ZAG000144585	Unlisted
	South Africa	South Africa	South Africa	South Africa
	Tier 2	Tier 2	Tier 2	Tier 2
	Tier 2	Tier 2	Tier 2	Tier 2
	Group and solo	Group and solo	Group and solo	Group and solo
	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
	240	1 603	1 200	1 073
	240	1 160	1 200	1 517
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	31 January 2017	31 January 2017	21 June 2017	30 June 2017
	Dated	Dated	Dated	Dated
	31 January 2027	31 January 2027	21 June 2027	30 June 2022
	Yes	Yes	Yes	Yes
	31 January 2022	31 January 2022	21 June 2022	30 June 2027
	Yes	Yes	Yes	Yes
	100% of principal and interest	Inflation adjusted 100% of principal and interest	100% of principal and interest	100% of principal and interest
	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Floating	Mixed Rate	Floating	Mixed Rate
	J + 4.15%	CPI-linked: 2.75%	J + 3.90%	Libor + 4.5%
	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative
	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator

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Main features disclosure template

(continued)

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2018		IV040	IV041	IV042	IV043
24	if convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25	if convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26	if convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27	if convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28	if convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29	if convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
31	If write-down, write-down trigger(s)	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
32	If write-down, full or partial	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: Amount recognised in regulatory capital pre phasing out of non-qualifying instruments which is not allocated per instrument.

	IV044	IV045	IV046	IV047
	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable
	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
	Not applicable	Not applicable	Not applicable	Not applicable
	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
	No	No	No	No
	Not applicable	Not applicable	Not applicable	Not applicable

Annexure

Requirement		Key risk/Section of key risk	Page number
OVA – Bank risk management approach			
Our risk management objectives and policies are disclosed in relation to 10 key risks as highlighted by the board of directors. The requirements of table OVA are therefore discussed in relation to these 10 key risks.			
(a)	How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board	Credit risk	16
		Investment risk	39
		Traded market risk	43
		Balance sheet risk	47
		Liquidity risk	47 – 48
		Reputational risk	60
		Legal risk	60
		Conduct risk	61
		Capital management risk	61
		Operational risk	57
		Summary of risks during year in review	11 – 13
		Overview of our principle risks	15
(b)	The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function)	Credit risk	16
		Investment risk	39
		Traded market risk	43
		Balance sheet risk	47
		Liquidity risk	47 – 48
		Reputational risk	60
		Legal risk	60
		Conduct risk	61
		Capital management risk	61
		Operational risk	57
(c)	Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions)	*Applies to all key risks:*	
		Philosophy and approach to risk management	11
		Risk framework, committees and forums	15
		Risk management framework	63
(d)	The scope and main features of risk measurement systems	Group risk management objectives	11
(e)	Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure	Risk assessment and reporting	63
(f)	Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management)	Stress testing framework	18
		Summary of investments held and stress testing analysis	40
		Capital stress testing scenarios	62
		Stress testing is used as a mitigation technique against some of the key risks identified and is discussed in the mitigation section referenced below	

Requirement	Key risk/Section of key risk	Page number
(g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants	Credit risk	21
	Investment risk	39
	Traded market risk	43
	Balance sheet risk	47
	Liquidity risk	47 – 48
	Reputational risk	60
	Legal risk	60
	Conduct risk (mitigation techniques discussed as part of operational risk)	61
	Capital management risk	61
	Operational risk	57
LIA – Explanations of differences between accounting and regulatory exposure amounts		
(a) Banks must explain the origins of any significant differences between amounts in columns (a) and (b) in LI1	Refer to table LI1	72 – 73
(b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2	Refer to table LI2	76
(c) In accordance with the implementation of the guidance on prudent valuation, banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable	Property valuations	22
Disclosure must include: • Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used • Description of the independent price verification process • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument)	Valuation and accounting methodologies	40
LIQA – Liquidity risk management		
(a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.		47
(b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.		48
(c) Liquidity risk mitigation techniques.		48
(d) An explanation of how stress testing is used.		48
(e) An outline of the bank's contingency funding plans.		50

Requirement	Key risk/Section of key risk	Page number
CRA – Banks must describe their risk management and policies for credit risk focusing in particular on:		
(a) How the business model translates into the components of the bank's credit risk profile	Credit and counterparty risk management	16 – 19
(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits		
(c) Structure and organisation of the credit risk management and control function		
(d) Relationships between the credit risk management, risk control, compliance and internal audit functions		
(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors		
CRB – Additional disclosure related to the credit quality of assets		
(a) The scope and definitions of 'past due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes	Asset quality analysis – credit risk classification and provisioning policy	20 – 21
(b) The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this		
(c) Description of methods used for determining impairments		
(d) The bank's own definition of a restructured exposure and a breakdown of restructured exposures between impaired and not impaired exposures	*The SARB has standardised the definition of a restructured exposures in Banks Act Directive 7 of 2015.* *The group defines a restructure as an exposure, approved by the relevant credit committee, where a concession was granted to the obligor owing to a deterioration in the obligor's financial condition.* *The SARB directive on the categorisation and treatment of restructured loans has been implemented by the group. Impairments and asset quality reporting of restructured exposures are in line with the group's credit risk classification and provisioning policy as tabled on pages 20 and 21*	n/a
(e) Breakdown of exposures by geographical areas, industry and residual maturity	Gross on balance sheet exposure by industry and residual maturity	28 – 29
(f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry	An analysis of our core loans and advances, asset quality and impairments	30
(g) Ageing analysis of accounting past due exposures	An age analysis of past due and default core loans and advances to customers	31 – 33

Annexure

(continued)

Requirement		Key risk/Section of key risk	Page number
CRC – Qualitative disclosure requirements related to credit risk mitigation techniques			
(a)	Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting	Credit risk mitigation	21
(b)	Core features of policies and processes for collateral	Credit risk mitigation	21
(c)	Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)	Credit risk mitigation Collateral	21 38
CRD – Qualitative disclosures on banks' use of external credit ratings under standardised approach for credit risk			
(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;	Management and measurement of credit and counterparty risk	16 – 17
(b)	The asset classes for which each ECAI or ECA is used		
(c)	A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book		
(d)	The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply)	*The SARB has published a standard mapping table with which the bank has to comply*	n/a
CRE – Qualitative disclosures related to IRB models			
Not applicable as the bank follows the standardised approach for credit risk			
Quantitative disclosures not relevant to Investec Bank Limited group			
The following tables are not relevant as the bank follows the standardised approach for credit risk: CR6 – IRB – Credit risk exposures by portfolio and PD range CR7 – IRB – Effect on RWA of credit derivatives used as CRM techniques CR8 – RWA flow statements of credit risk exposures under IRB CR9 – IRB – Backtesting of probability of default (PD) per portfolio CR10 – IRB (specialised lending and equities under the simple risk weight method) CCR4 – IRB – CCR exposures by portfolio and PD scale CCR7 – RWA flow statements of CCR exposures under the internal model method (IMM) TLAC1 –TLAC composition for G-SIBs (at resolution group level) TLAC2 – Material subgroup entity – creditor ranking at legal entity level TLAC3 – Resolution entity – creditor ranking at legal entity level KM2 – Key metrics – TLAC requirements (at resolution group level) GSIB1 – Disclosure of G-SIB indicators SEC2 – Securitisation exposures in the trading book			
CCRA – Qualitative disclosures related to counterparty credit risk including:			
(a)	Risk management objectives and policies related to counterparty credit risk	Credit and counterparty risk management	16
(b)	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures	Credit and counterparty risk appetite *CCPs not material and only effective 2017*	16
(c)	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs	Credit risk mitigation *CCPs not material and only effective 2017*	21
(d)	Policies with respect to wrong-way risk exposures	Credit and counterparty risk management	16
(e)	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade	Philosophy and approach to risk management	11 – 13

Requirement	Key risk/Section of key risk	Page number
SECA – Qualitative disclosure requirements related to securitisation exposures		
Banks must describe their risk management objectives and policies for securitisation activities and main features of these activities according to the framework below. If a bank holds securitisation positions reflected both in the regulatory banking book and in the regulatory trading book, the bank must describe each of the following points by distinguishing activities in each of the regulatory books.		
(a) The bank's objectives in relation to securitisation and resecuritisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities, the type of risks assumed and the types of risks retained	Securitisation/structured credit activities exposures	41
(b) The bank must provide a list of: • special purpose entities (SPEs) where the bank acts as sponsor but not as an originator such as an Asset Backed Commercial Paper (ABCP) conduit, indicating whether the bank consolidates the SPEs into its scope of regulatory consolidation • affiliated entities (i) that the bank manages or advises and (ii) that invest either in the securitisation exposures that the bank has securitised or in SPEs that the bank sponsors • a list of entities to which the bank provides implicit support and the associated capital impact for each of them (as required in paragraphs 551 and 564 of the securitisation framework)	Securitisation/structured credit activities exposures	41
(c) Summary of the bank's accounting policies for securitisation activities		
(d) If applicable, the names of external credit assessment institutions (ECAIs) used for securitisations and the types of securitisation exposure for which each agency is used		
(e) If applicable, describe the process for implementing the Basel internal assessment approach (IAA)	*The bank applied the look through approach to exposures where relevant and did not make use of the IAA.*	n/a
(f) Banks must describe the use of internal assessment other than for IAA capital purposes		
MRA – Qualitative disclosure requirements related to market risk		
Banks must describe their risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):		
(a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges	Market risk in the trading book	43 – 47
(b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management		
(c) Scope and nature of risk reporting and/or measurement systems		
MR4 – Comparison of VaR estimates with gains/losses		
Present a comparison of the results of estimates from the regulatory VaR model with both hypothetical and actual trading outcomes, to highlight the frequency and the extent of the backtesting exceptions, and to give an analysis of the main outliers in backtested results, as per Annex 10a part II of the Basel framework	VaR	44 – 45

An extra long section heading can run over two lines

(continued)

Requirement	Key risk/Section of key risk	Page number
Operational risk		
(a) In addition to the general qualitative disclosure requirement (paragraph 824), the approach(es) for operational risk capital assessment for which the bank qualifies	Capital management and allocation	61
(b) Description of the advanced measurement approaches for operational risk (AMA), if used by the bank, including a discussion of relevant internal and external factors considered in the bank's measurement approach. In the case of partial use, the scope and coverage of the different approaches used (c) For banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk	*Not disclosed as the bank follows the standardised approach for operational risk*	
Interest rate risk in the banking book		
(a) The general qualitative disclosure requirement (paragraph 824), including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement (b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	Non-trading interest rate risk description Management and measurement of non-trading interest rate risk Interest rate sensitivity gap	53 53 54
REMA – Remuneration policy		
(a) Information relating to the bodies that oversee remuneration. Disclosures should include: • Name, composition and mandate of the main body overseeing remuneration. • External consultants whose advice has been sought, the body by which they were commissioned, and what areas of the remuneration process. • A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. • A description of the types of employees considered as material risk-takers and as senior managers. (b) Information relating to the design and structure of remuneration processes. Disclosures should include: • An overview of the key features and objectives of remuneration policy. • Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration. • A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee. (c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement and how these measures affect remuneration.	108 – 112 of the Investec Bank Limited group and company annual financial statements 2018.	

Requirement	Key risk/Section of key risk	Page number
(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include: • An overview of main performance metrics for bank, top-level business lines and individuals. • A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. • A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics.		
(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include: • A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. • A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.		
(f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include: • An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms). • A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.		

Notes