Out of the Ordinary

Investec

Disclosure Report

Investec Limited group
Basel Pillar III
annual disclosure report

2018

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

Scope and framework

This document encompasses Investec Limited group, including both regulated and unregulated entities, which is equivalent to the scope of the group controlling company 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 The revised disclosures incorporate standardised templates and tables that superseded the Pillar 3 disclosure requirements issued in Regulation 43.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 132 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 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 page 136 of the Investec 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

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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

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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
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
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 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 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 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

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To the directors of Investec Limited group

We have reviewed the Basel Pillar III disclosure report of Investec 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 135 of the Investec 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 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.

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Risk management

Risk management objectives are to:

- Ensure adherence to our risk management culture
- Ensure the business operates within the board-stated risk appetite
- Support the long-term sustainability of the group 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 group 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 30 to 89 with further disclosures provided in the annual financial statements section on pages 162 to 240.

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 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.

Succession of the group's executive management team has been an ongoing focus area for the board with the group's initial announcement in this regard made in November 2015. Since that date, the board has implemented a number of processes to ensure an orderly management succession process. Leadership and talent development remain high priority areas for the board and management of Investec.

As part of the group's orderly succession plan to move from founding members to the next generation of leadership, a number of board and management changes have been announced. These are disclosed in detail on page 98. The process has been well managed and there has been no negative impact on the group's operations.

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 15 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 2%, high net worth and private client lending 52% 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 8.7% to R257 billion (31 March 2017: R236 billion) with residential owner-occupied, private client 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 1.02% 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 group 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 portfolio, which comprise 4.9% 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 R3.4 million, down R1.1 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, Investec Bank Limited 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.

Investec 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

Investec has continued to maintain a sound balance sheet with a low gearing ratio of 9.3 times and a core loans to equity ratio of 5.0 times. Our current leverage ratio is 7.5%.

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 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 solid capital light revenues. 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 Investec 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 Investec maintains a client-focused and fair outcomes-based culture.

Financial and cyber crime remain high priorities, and Investec 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.

Investec'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 group'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 R220 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 from 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. Investec 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 176. 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(za) from Fitch and za.AA- from Standards & 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 (excluding assurance assets) (R'million)	476 639	456 836
Total risk-weighted assets (R'million)	338 484	329 808
Total equity (R'million)	51 279	46 571
Net core loans and advances (R'million)	256 702	236 225
Cash and near cash (R'million)	116 533	117 586
Customer accounts (deposits) (R'million)	321 823	303 470
Gross defaults as a % of gross core loans and advances	1.11%	1.52%
Defaults (net of impairments) as a % of net core loans and advances	0.56%	1.02%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.28%	0.29%
Structured credit investments as a % of total assets^	0.24%	0.40%
Banking book investment and equity risk exposures as a % of total assets^	4.87%	4.75%
Level 3 (fair value assets) as a % of total assets^	0.60%	0.83%
Traded market risk: one-day value at risk (R'million)	3.4	4.5
Core loans to equity ratio	5.0x	5.1x
Total gearing ratio**	9.3x	9.8x
Loans and advances to customers to customer deposits	77.4%	75.0%
Capital adequacy ratio	14.6%	14.1%
Tier 1 ratio	11.0%	10.7%
Common equity tier 1 ratio	10.2%	9.9%
Leverage ratio	7.5%	7.3%
Return on average assets#	1.28%	1.04%
Return on average risk-weighted assets#	1.79%	1.46%

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

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 capital light 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 81.4% of total operating income. Refer to page 10 of the Investec 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 52.8%. Refer to page 9 of the Investec 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 71 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 11.0% and a common equity tier 1 ratio above 10.0%	We meet our capital targets, refer to page 71 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 18 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 31 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 51 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 46 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 940 million (excluding the IEP group), representing 10.6% of total tier 1 capital. Refer to page 41 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

Risk management

(continued)

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.

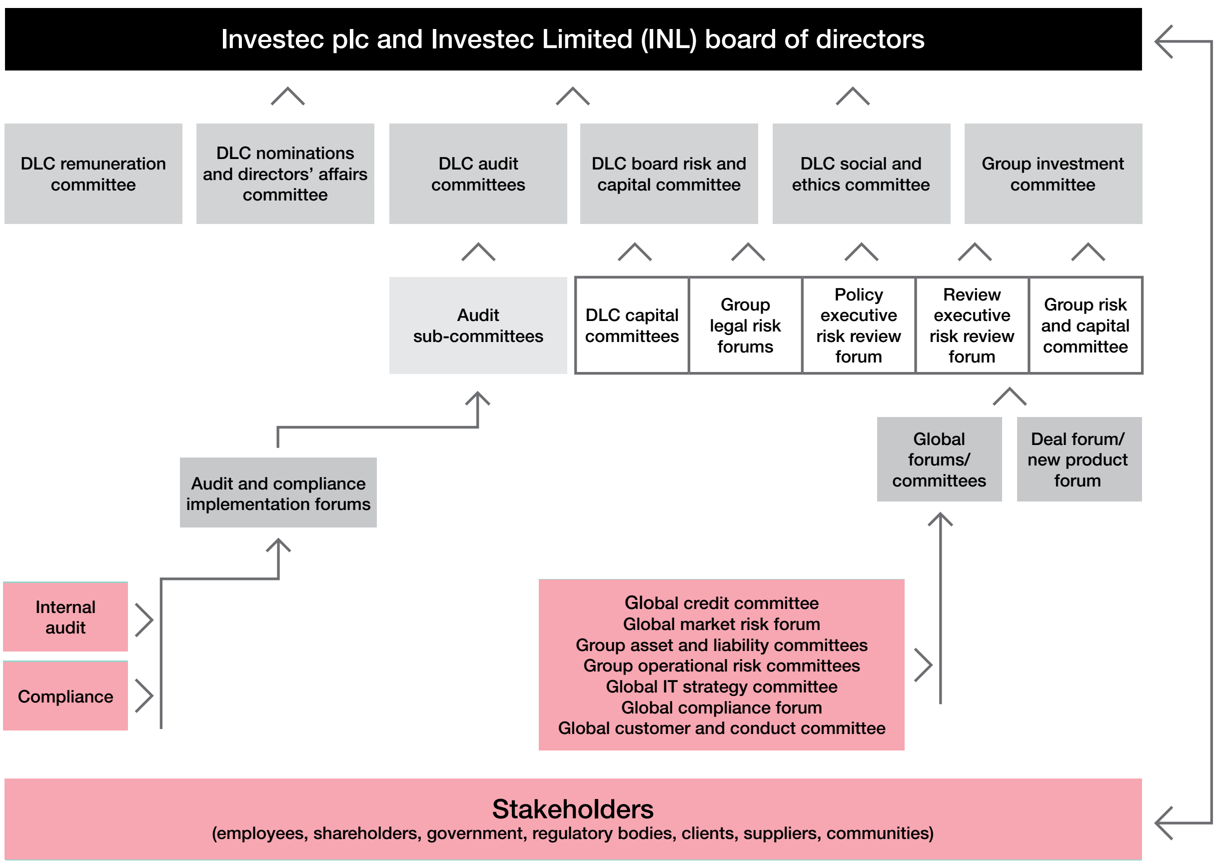
These principal risks have been highlighted on page 20 of the Investec Limited group and company annual financial statements 2018.

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 forum 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 group's main operating geography (i.e. South Africa). The group 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 39 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 group'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 group'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 Foundation Internal Ratings-Based (FIRB) approach, a transitional step to implementing the Advanced Internal Ratings-Based (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, Investec 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

Investec 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 group'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 37 and 38.

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 37 and 38.

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.

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

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

- **Corporate 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 and 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 to South Africa where Investec can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities 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 residential mortgages or European or US corporate leverage loans. 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.
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades approved shares on an approved basis. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **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 37 and 38.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension schemes and trusts. Wealth & Investment is primarily an agency business with a limited amount of principal risk. Its core business is discretionary and non-discretionary investment management services.

Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, monitored daily, and trades are usually settled within two to three days.

Asset Management

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

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 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 Investec 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 39.

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.

Further information on credit derivatives is provided on page 48.

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.

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 Investec operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

Credit and counterparty risk year in review

The 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 15 to 27 of the Investec 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 8.7% to R257 billion (31 March 2017: R236 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 1.02% 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 12.6% 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 6.8% 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 12 to 23 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 2.7% to R478 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%	8 759
Loans and advances to banks	19 620	35 026	(44.0%)	27 323
Non-sovereign and non-bank cash placements	9 993	8 993	11.1%	9 493
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	30 567	(20.8%)	27 392
Sovereign debt securities	62 403	47 822	30.5%	55 113
Bank debt securities	7 965	7 758	2.7%	7 862
Other debt securities	10 390	12 028	(13.6%)	11 209
Derivative financial instruments	6 858	6 358	7.9%	6 608
Securities arising from trading activities	698	463	50.8%	581
Loans and advances to customers (gross)	250 500	228 756	9.5%	239 628
Own originated loans and advances to customers securitised (gross)	7 636	8 679	(12.0%)	8 158
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	**413 098**	**397 896**	**3.8%**	**405 497**
Guarantees^	10 591	15 753	(32.8%)	13 172
Contingent liabilities, committed facilities and other	54 929	52 444	4.7%	53 687
Total off-balance sheet exposures	**65 520**	**68 197**	**(3.9%)**	**66 859**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**478 618**	**466 093**	**2.7%**	**472 356**

* *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 counter-party exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2018				
Cash and balances at central banks	9 165	22		9 187
Loans and advances to banks	19 620	–		19 620
Non-sovereign and non-bank cash placements	9 993	–		9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	–		24 217
Sovereign debt securities	62 403	–		62 403
Bank debt securities	7 965	–		7 965
Other debt securities	10 390	–		10 390
Derivative financial instruments	6 858	5 705		12 563
Securities arising from trading activities	698	11 591		12 289
Investment portfolio	–	6 928	1	6 928
Loans and advances to customers	250 500	(1 428)	2	249 072
Own originated loans and advances to customers securitised	7 636	(6)	2	7 630
Other loans and advances	290	(25)	2	265
Other securitised assets	–	299	3	299
Interest in associated undertakings	–	6 495	1	6 495
Deferred taxation assets	–	983		983
Other assets	3 363	9 942	4	13 305
Property and equipment	–	2 973		2 973
Investment properties	–	19 439		19 439
Goodwill	–	211		211
Intangible assets	–	412		412
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	141 071		141 071
Total on-balance sheet exposures	**413 098**	**204 612**		**617 710**

1 *Largely relates to exposures that are classified as investment risk in the banking book.*
2 *Largely relates to impairments.*
3 *Largely cash in the securitised vehicles.*
4 *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

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

R'million	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2017				
Cash and balances at central banks	8 353	–		8 353
Loans and advances to banks	35 026	–		35 026
Non-sovereign and non-bank cash placements	8 993	–		8 993
Reverse repurchase agreements and cash collateral on securities borrowed	30 567	–		30 567
Sovereign debt securities	47 822	–		47 822
Bank debt securities	7 758	–		7 758
Other debt securities	12 028	–		12 028
Derivative financial instruments	6 358	3 484		9 842
Securities arising from trading activities	463	13 857		14 320
Investment portfolio	–	6 502	1	6 502
Loans and advances to customers	228 756	(1 204)	2	227 552
Own originated loans and advances to customers securitised	8 679	(6)	2	8 673
Other loans and advances	336	(26)	2	310
Other securitised assets	–	173	3	173
Interest in associated undertakings	–	5 514	1	5 514
Deferred taxation assets	–	738		738
Other assets	2 757	9 283	4	12 040
Property and equipment	–	762		762
Investment properties	–	18 688		18 688
Goodwill	–	211		211
Intangible assets	–	508		508
Non-current assets classified as held for sale	–	456	1	456
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	129 596		129 596
Total on-balance sheet exposures	**397 896**	**188 536**		**586 432**

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.

Gross credit and 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	18 335	515	234	536	–	–	19 620
Non-sovereign and non-bank cash placements	9 993	–	–	–	–	–	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	18 964	1 085	778	2 422	916	52	24 217
Sovereign debt securities	13 393	15 095	15 587	5 167	6 012	7 149	62 403
Bank debt securities	225	–	59	4 638	2 530	513	7 965
Other debt securities	108	82	816	6 862	1 343	1 179	10 390
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)	24 879	14 744	20 829	129 486	31 082	29 480	250 500
Own originated loans and advances to customers securitised (gross)	–	6	10	28	623	6 969	7 636
Other loans and advances (gross)	–	–	290	–	–	–	290
Other assets	3 363	–	–	–	–	–	3 363
Total on-balance sheet exposures	**101 183**	**32 821**	**39 237**	**151 576**	**42 939**	**45 342**	**413 098**
Guarantees^	5 656	1 091	1 680	1 666	268	230	10 591
Contingent liabilities, committed facilities and other	11 838	2 141	3 474	15 944	3 066	18 466	54 929
Total off-balance sheet exposures	**17 494**	**3 232**	**5 154**	**17 610**	**3 334**	**18 696**	**65 520**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**118 677**	**36 053**	**44 391**	**169 186**	**46 273**	**64 038**	**478 618**

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

Risk management

(continued)

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	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)	125 770	40 616	2 926	6 301	5 839	11 875
Own originated loans and advances to customers securitised (gross)	7 636	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	9
Total on-balance sheet exposures	**134 064**	**40 616**	**2 960**	**7 422**	**79 305**	**13 844**
Guarantees^	4 433	937	–	946	1	1 117
Contingent liabilities, committed facilities and other	33 952	4 308	788	569	1 025	787
Total off-balance sheet exposures	**38 385**	**5 245**	**788**	**1 515**	**1 026**	**1 904**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**172 449**	**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	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)	109 210	40 546	2 895	5 364	5 900	8 523
Own originated loans and advances to customers securitised (gross)	8 679	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	62
Total on-balance sheet exposures	**118 475**	**40 546**	**2 901**	**5 787**	**64 162**	**9 455**
Guarantees^	3 481	1 104	179	648	1 744	689
Contingent liabilities, committed facilities and other	31 520	6 132	301	2 137	609	559
Total off-balance sheet exposures	**35 001**	**7 236**	**480**	**2 785**	**2 353**	**1 248**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**153 476**	**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 commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	–	9 165
19 620	–	–	–	–	–	–	–	–	–	19 620
2 203	1 728	2 048	504	201	–	396	30	155	867	9 993
22 502	–	934	–	–	–	–	–	34	–	24 217
–	–	–	–	–	–	–	–	–	–	62 403
7 965	–	–	–	–	–	–	–	–	–	7 965
3 199	–	1 993	–	955	–	1 917	–	–	1 014	10 390
4 722	198	123	–	387	–	135	42	59	27	6 858
–	–	–	–	–	–	–	–	–	112	698
18 229	4 881	9 339	1 954	6 812	–	2 815	3 017	4 552	5 574	250 500
–	–	–	–	–	–	–	–	–	–	7 636
–	–	–	–	–	290	–	–	–	–	290
384	2 004	456	136	–	–	8	72	1	293	3 363
78 824	**8 811**	**14 893**	**2 594**	**8 355**	**290**	**5 271**	**3 161**	**4 801**	**7 887**	**413 098**
149	81	1 059	128	466	–	1 016	145	52	61	10 591
3 902	1 344	950	313	176	–	2 251	55	1 545	2 964	54 929
4 051	**1 425**	**2 009**	**441**	**642**	**–**	**3 267**	**200**	**1 597**	**3 025**	**65 520**
82 875	**10 236**	**16 902**	**3 035**	**8 997**	**290**	**8 538**	**3 361**	**6 398**	**10 912**	**478 618**
–	–	–	–	–	–	–	–	–	–	8 353
35 026	–	–	–	–	–	–	–	–	–	35 026
2 130	1 561	2 504	247	201	–	758	–	553	336	8 993
28 991	–	785	–	–	–	–	–	–	41	30 567
–	–	–	–	–	–	–	–	–	–	47 822
7 758	–	–	–	–	–	–	–	–	–	7 758
3 245	–	1 555	–	708	–	2 383	–	–	2 437	12 028
5 059	128	123	3	323	–	138	37	14	35	6 358
–	38	–	–	–	–	–	33	–	71	463
17 640	2 814	11 577	3 953	5 760	–	3 249	1 512	4 010	5 803	228 756
–	–	–	–	–	–	–	–	–	–	8 679
–	–	–	–	–	336	–	–	–	–	336
673	1 470	236	268	–	–	–	40	–	8	2 757
100 522	**6 011**	**16 780**	**4 471**	**6 992**	**336**	**6 528**	**1 622**	**4 577**	**8 731**	**397 896**
3 769	990	984	94	86	–	1 702	125	64	94	15 753
2 984	1 810	858	538	303	–	3 088	68	1 117	420	52 444
6 753	**2 800**	**1 842**	**632**	**389**	**–**	**4 790**	**193**	**1 181**	**514**	**68 197**
107 275	**8 811**	**18 622**	**5 103**	**7 381**	**336**	**11 318**	**1 815**	**5 758**	**9 245**	**466 093**

Private client loans account for 67.4% 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 19, and a more detailed analysis of these loan portfolios are provided on pages 37 and 38.

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 19 and 20, and a more detailed analysis of the corporate client loan portfolio is provided on pages 37 and 38.

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	133 406	117 889	39 043	35 587	172 449	153 476
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	18 229	17 640	64 646	89 635	82 875	107 275
Retailers and wholesalers	4 881	2 814	5 355	5 997	10 236	8 811
Manufacturing and commerce	9 339	11 577	7 563	7 045	16 902	18 622
Construction	1 954	3 953	1 081	1 150	3 035	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	**258 136**	**237 435**	**220 482**	**228 658**	**478 618**	**466 093**

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	249 072	227 552
Add: own originated loans and advances securitised as per the balance sheet	7 630	8 673
Net core loans and advances to customers	**256 702**	**236 225**

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 41.

R'million At 31 March	2018	2017
Gross core loans and advances to customers	**258 136**	**237 435**
Total impairments	**(1 434)**	**(1 210)**
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Net core loans and advances to customers	**256 702**	**236 225**
Average gross core loans and advances to customers	**247 786**	**228 155**
Current loans and advances to customers	253 868	232 902
Past due loans and advances to customers (1 – 60 days)	1 040	673
Special mention loans and advances to customers (1 – 90 days)	367	244
Default loans and advances to customers	2 861	3 616
Gross core loans and advances to customers	**258 136**	**237 435**
Current loans and advances to customers	253 868	232 902
Default loans that are current and not impaired	214	132
Gross core loans and advances to customers that are past due but not impaired	2 185	1 936
Gross core loans and advances to customers that are impaired	1 869	2 465
Gross core loans and advances to customers	**258 136**	**237 435**
Total income statement charge for impairments on core loans and advances	**(701)**	**(661)**
Gross default loans and advances to customers	2 861	3 616
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Defaults net of impairments	**1 427**	**2 406**
Aggregate collateral and other credit enhancements on defaults	3 552	4 343
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%	0.51%
Total impairments as a % of gross default loans	50.12%	33.46%
Gross defaults as a % of gross core loans and advances to customers	1.11%	1.52%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.56%	1.02%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.28%	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	1 581	1 477
61 – 90 days	160	184
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)	**4 268**	**4 533**
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

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 31 March 2018							
Watchlist loans neither past due nor impaired							
Total capital exposure	214	–	–	–	–	–	214
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 453	110	76	131	415	2 185
Amount in arrears	–	444	21	6	94	409	974
Gross core loans and advances to customers that are impaired							
Total capital exposure	369	128	50	158	294	870	1 869
Amount in arrears	–	2	1	28	40	626	697
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	–	1 120	152	121	460	83	1 936
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

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

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**1 040**	**–**	**–**	**–**	**–**	**1 040**
Special mention	**–**	**282**	**85**	**–**	**–**	**–**	**367**
Special mention (1 – 90 days)	–	282	2	–	–	–	284
Special mention (61 – 90 days and item well secured)	–	–	83	–	–	–	83
Default	**583**	**259**	**75**	**234**	**425**	**1 285**	**2 861**
Sub-standard	214	131	25	76	131	415	992
Doubtful	369	128	50	158	294	870	1 869
Total	**583**	**1 581**	**160**	**234**	**425**	**1 285**	**4 268**

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

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**417**	**–**	**–**	**–**	**–**	**417**
Special mention	**–**	**10**	**20**	**–**	**–**	**–**	**30**
Special mention (1 – 90 days)	–	10	–	–	–	–	10
Special mention (61 – 90 days and item well secured)	–	–	20	–	–	–	20
Default	**–**	**19**	**2**	**34**	**134**	**1 035**	**1 224**
Sub-standard	–	17	1	6	94	409	527
Doubtful	–	2	1	28	40	626	697
Total	**–**	**446**	**22**	**34**	**134**	**1 035**	**1 671**

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

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**673**	**–**	**–**	**–**	**–**	**673**
Special mention	**–**	**151**	**89**	**1**	**–**	**3**	**244**
Special mention (1 – 90 days)	–	151	1	1*	–	3*	156
Special mention (61 – 90 days and item well secured)	–	–	88	–	–	–	88
Default	**1 254**	**653**	**95**	**472**	**717**	**425**	**3 616**
Sub-standard	132	296	63	120	460	80	1 151
Doubtful	1 122	357	32	352	257	345	2 465
Total	**1 254**	**1 477**	**184**	**473**	**717**	**428**	**4 533**

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

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**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 that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific 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	**253 868**	**–**	**–**	**253 868**	**–**	**(630)**	**253 238**	**–**
Past due (1 – 60 days)	**–**	**1 040**	**–**	**1 040**	**–**	**(4)**	**1 036**	**417**
Special mention	**–**	**367**	**–**	**367**	**–**	**(2)**	**365**	**30**
Special mention (1 – 90 days)	–	284	–	284	–	(2)	282	10
Special mention (61 – 90 days and item well secured)	–	83	–	83	–	–	83	20
Default	**214**	**778**	**1 869**	**2 861**	**(795)**	**(3)**	**2 063**	**1 224**
Sub-standard	214	778	–	992	–	(3)	989	527
Doubtful	–	–	1 869	1 869	(795)	–	1 074	697
Total	**254 082**	**2 185**	**1 869**	**258 136**	**(795)**	**(639)**	**256 702**	**1 671**
At 31 March 2017								
Current core loans and advances	**232 902**	**–**	**–**	**232 902**	**–**	**(319)**	**232 583**	**–**
Past due (1 – 60 days)	**–**	**673**	**–**	**673**	**–**	**(2)**	**671**	**140**
Special mention	**–**	**244**	**–**	**244**	**–**	**(1)**	**243**	**21**
Special mention (1 – 90 days)	–	156	–	156	–	(1)	155	8
Special mention (61 – 90 days and item well secured)	–	88	–	88	–	–	88	13
Default	**132**	**1 019**	**2 465**	**3 616**	**(884)**	**(4)**	**2 728**	**837**
Sub-standard	132	1 019	–	1 151	–	(4)	1 147	581
Doubtful	–	–	2 465	2 465	(884)	–	1 581	256
Total	**233 034**	**1 936**	**2 465**	**237 435**	**(884)**	**(326)**	**236 225**	**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	**170 728**	**52 356**	**18 229**	**5 720**	**6 835**	**253 868**
Past due (1 – 60 days)	**870**	**51**	**–**	**–**	**119**	**1 040**
Special mention	**191**	**170**	**–**	**–**	**6**	**367**
Special mention (1 – 90 days)	114	170	–	–	–	284
Special mention (61 – 90 days and item well secured)	77	–	–	–	6	83
Default	**2 233**	**273**	**–**	**119**	**236**	**2 861**
Sub-standard	872	120	–	–	–	992
Doubtful	1 361	153	–	119	236	1 869
Total gross core loans and advances to customers	**174 022**	**52 850**	**18 229**	**5 839**	**7 196**	**258 136**
Total impairments	**(723)**	**(480)**	**(19)**	**(63)**	**(149)**	**(1 434)**
Specific impairments	(487)	(99)	–	(60)	(149)	(795)
Portfolio impairments	(236)	(381)	(19)	(3)	–	(639)
Net core loans and advances to customers	**173 299**	**52 370**	**18 210**	**5 776**	**7 047**	**256 702**
At 31 March 2017						
Current core loans and advances	**155 158**	**48 701**	**17 604**	**5 765**	**5 674**	**232 902**
Past due (1 – 60 days)	**603**	**7**	**–**	**–**	**63**	**673**
Special mention	**160**	**79**	**–**	**–**	**5**	**244**
Special mention (1 – 90 days)	77	79	–	–	–	156
Special mention (61 – 90 days and item well secured)	83	–	–	–	5	88
Default	**2 514**	**755**	**36**	**135**	**176**	**3 616**
Sub-standard	999	114	36	–	2	1 151
Doubtful	1 515	641	–	135	174	2 465
Total gross core loans and advances to customers	**158 435**	**49 542**	**17 640**	**5 900**	**5 918**	**237 435**
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	**157 854**	**49 141**	**17 622**	**5 838**	**5 770**	**236 225**

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	**133 406**	**1 368**	**1 929**	**(168)**	**(18)**
Mortgages	68 068	878	1 080	(102)	(75)
High net worth and specialised lending	65 338	490	849	(66)	57
Corporate and other lending	**84 114**	**628**	**697**	**(308)**	**(138)**
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	47 952	160	153	(68)	12
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	**258 136**	**2 861**	**3 552**	**(1 434)**	**(701)**

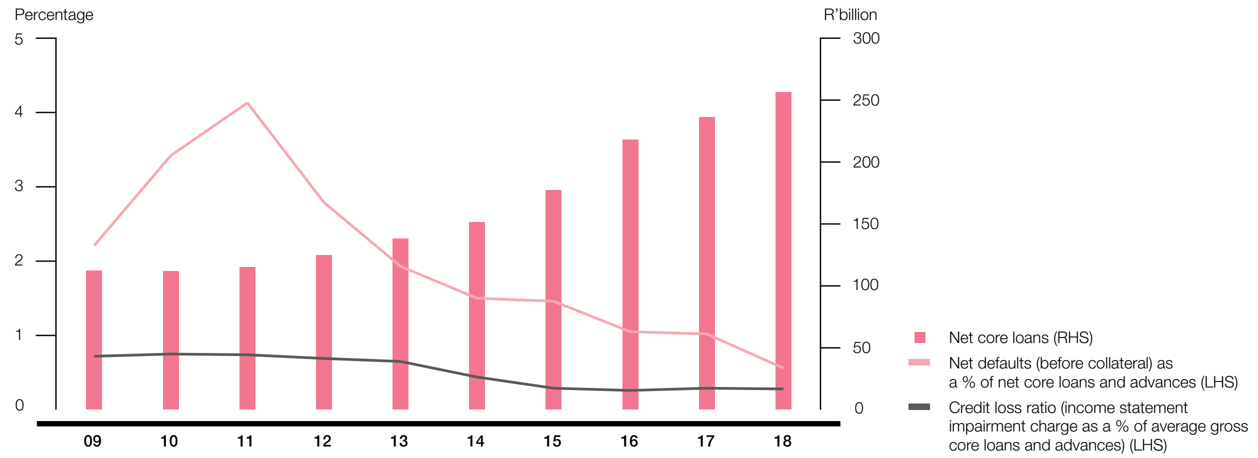
^ *Where a positive number represents a recovery.*

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 enhancements 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	**117 889**	**1 524**	**2 231**	**(146)**	**(284)**
Mortgages	61 390	725	998	(60)	(24)
High net worth and specialised lending	56 499	799	1 233	(86)	(260)
Corporate and other lending	**79 000**	**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	43 986	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	**237 435**	**3 616**	**4 343**	**(1 210)**	**(661)**

^ *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	**59 808**	**19 863**	**79 671**
Listed shares	58 761	17 558	76 319
Cash	1 047	23	1 070
Debt securities issued by sovereigns	–	2 282	2 282
Property charge	**352 624**	**49**	**352 673**
Residential property	190 419	–	190 419
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	**463 231**	**20 739**	**483 970**
At 31 March 2017			
Eligible financial collateral	**61 395**	**25 020**	**86 415**
Listed shares	59 843	15 674	75 517
Cash	1 552	14	1 566
Debt securities issued by sovereigns	–	9 332	9 332
Property charge	**329 107**	**586**	**329 693**
Residential property	172 166	436	172 602
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	**456 999**	**26 460**	**483 459**

* *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 59 for additional information on the unlisted equity investments held at fair value.*

Investment risk in the banking book represents a moderate percentage of our total assets and is managed within appropriate risk limits

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

For the year to 31 March R'million	Unrealised°	Realised°	Dividends	Other	Total	Fair value through equity
	Income/(loss) (pre-funding costs)					
2018						
Unlisted investments	(261)	427	114	–	280	(2)
Listed equities	(498)	60	192	–	(246)	–
Investment and trading properties^	163	172	–	–	335	–
Warrants, profit shares and other embedded derivatives	(9)	218	–	–	209	–
The IEP Group	–	–	–	766	766	–
Total	**(605)**	**877**	**306**	**766**	**1 344**	**(2)**
2017						
Unlisted investments	(126)	100	243	–	217	(2)
Listed equities	(154)	(3)	94	–	(63)	(47)
Investment and trading properties^	(122)	367	–	–	245	–
Warrants, profit shares and other embedded derivatives	(18)	264	–	–	246	–
The IEP Group	–	–	–	303	303	–
Total	**(420)**	**728**	**337**	**303**	**948**	**(49)**

° *In a year of realisation, any prior period mark-to-market gains/losses recognised are reversed in the unrealised line item.*
^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 26.8% in 2018 and 27.9% in 2017.*

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**	3 940	591	4 066	610
Listed equities	2 988	747	2 892	723
Investment and trading properties^^	9 882	1 281	9 087	1 162
Warrants, profit shares and other embedded derivatives	213	74	221	77
The IEP Group∞	6 180	927	5 413	812
Total	**23 203**	**3 620**	**21 679**	**3 384**

* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress-testing parameters are applied:*
** *Includes the investment portfolio*
^^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 26.8% in 2018 and 27.9% in 2017.*
∞ *As explained on page 40.*

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 R3.6 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 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 66 for further detail.

Valuation and accounting methodologies

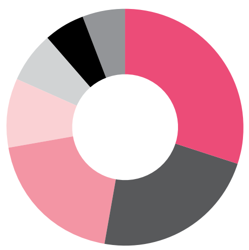
For a description of our valuation principles and methodologies refer to pages 196 and 205 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 0.60% of total assets (excluding assurance assets).

Refer to page 196 for further information of the Investec 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 group's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 25 for the balance sheet and credit risk classification.

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

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

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

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

Total assets that have been originated and securitised by the Private Client division amount to R7.6 billion at 31 March 2018 (31 March 2017: R8.7 billion) and consist of residential mortgages. Within these securitisation vehicles loans greater than 90 days in arrears amounted to R37.6 million.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.7 billion notes of the original R1.5 billion are still in issue. No notes are held internally
- 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. R209 million 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 172 of the Investec 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 and other loans and advances	
Rated	165	863		
Unrated	980	949		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) – (net exposure)	265	310	Other loans and advances	
Private Client division assets	7 630	8 673	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	3.6	3.4	7.4	2.0	2.4	3.6	22.8	1.9
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*	**3.4**	**5.0**	**13.7**	**2.4**	**4.5**	**4.2**	**21.8**	**2.1**

* *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	7.1	6.6
Foreign exchange	3.7	4.6
Interest rates	4.1	1.5
Consolidated*	**8.8**	**7.9**

* *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% one-day sVaR	13.3	9.6

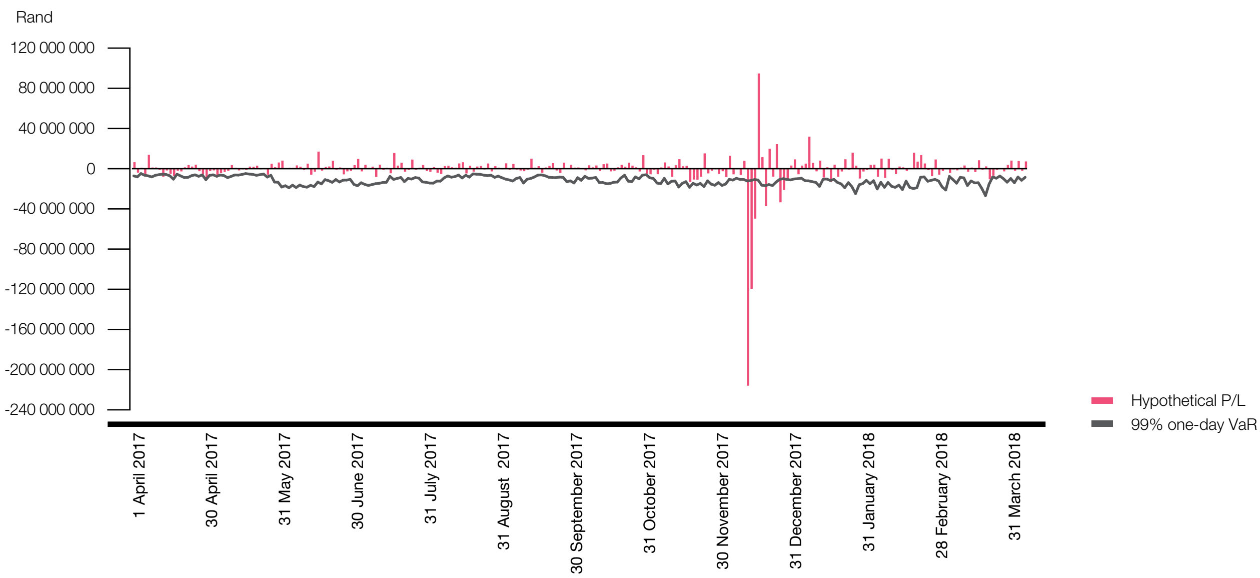
Backtesting

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 31 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.

For the year to R'million	31 March 2018 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	13.9	19.7	66.4	5.4	26.6
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**	**29.6**	**32.0**	**67.6**	**14.0**	**26.4**

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

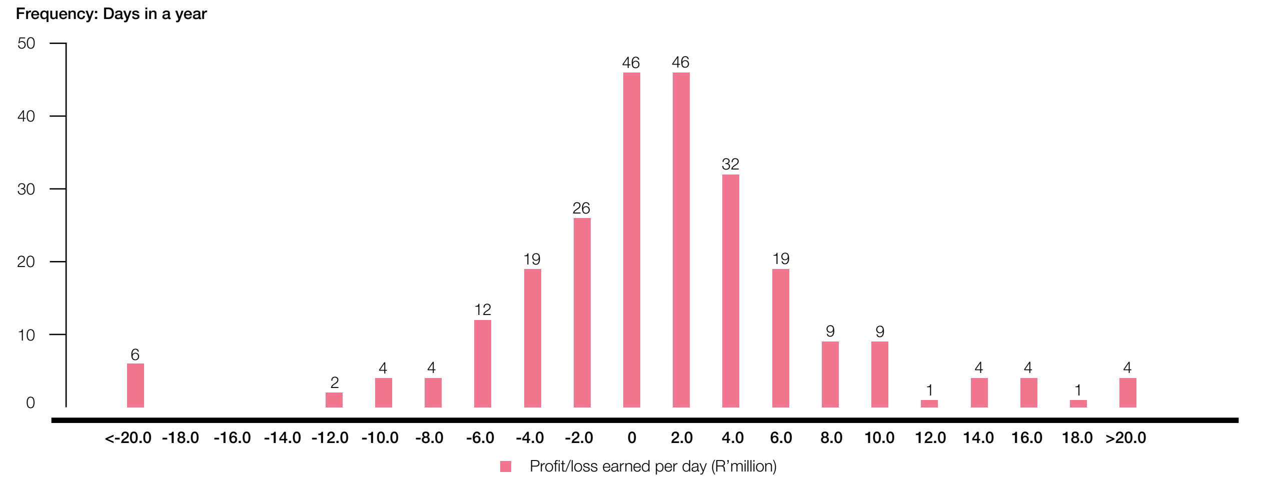
Capital

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

Profit and loss histogram

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 R3.4 million, down R1.1 million from the previous year. Market risk exposures across all trading desks remained low throughout the year.

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 208 in volume three of the Investec 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 board meetings.

Liquidity risk

Liquidity risk description

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

Liquidity risk is further broken down into:

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

Management and measurement of liquidity risk

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

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

- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

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

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

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

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

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

The group operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis. The system is audited by Internal Audit thereby ensuring integrity of the process.

Funding strategy

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

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

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

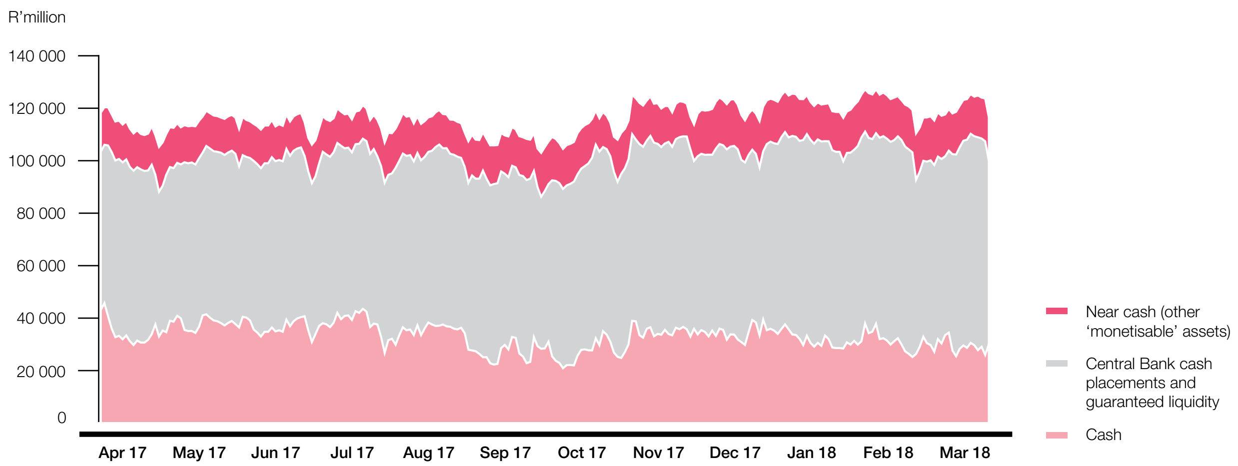
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors,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

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

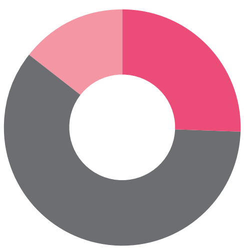
Liquidity buffer

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

Investec Limited cash and near cash trend



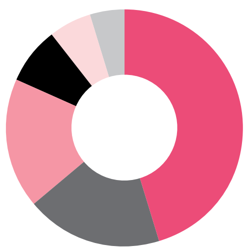
An analysis of cash and near cash at 31 March 2018



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



R349 616 million

Other financials	45.5%
Non-financial corporates	18.6%
Individuals	17.6%
Banks	7.9%
Small business	5.9%
Public sector	4.5%

The liquidity position of the group 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.

Asset encumbrance

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

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

On page 206 of the Investec Limited group and company annual financial statements 2018 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

The tables that follow show the liquidity mismatch across our core geographies.

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

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

- *Liquidity buffer*: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of '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	23 724	3 487	940	–	165	491	–	28 807
Cash and short-term funds – non-banks	9 418	304	271	–	–	–	–	9 993
Investment/trading assets and statutory liquids	63 695	26 941	4 372	3 127	2 307	37 408	24 839	162 689
Securitised assets	60	9	48	104	166	1 717	5 825	7 929
Advances	7 200	5 257	11 779	15 676	25 543	121 239	62 643	249 337
Other assets	698	1 243	2 943	80	211	4 574	8 135	17 884
Assets	**104 795**	**37 241**	**20 353**	**18 987**	**28 392**	**165 429**	**101 442**	**476 639**
Deposits – banks	(868)	(1 140)	(2 196)	(396)	(7 389)	(15 229)	(575)	(27 793)
Deposits – non-banks	(135 962)^	(21 961)	(65 423)	(24 505)	(37 762)	(33 810)	(2 400)	(321 823)
Negotiable paper	(1)	(3)	(129)	(358)	(3 306)	(3 088)	–	(6 885)
Securitised liabilities	–	–	–	–	–	–	(2 274)	(2 274)
Investment/trading liabilities	(838)	(16 086)	(1 418)	(1 825)	(4 765)	(12 753)	(855)	(38 540)
Subordinated liabilities	–	(871)	(17)	(9)	–	(4 601)	(9 515)	(15 013)
Other liabilities	(2 507)	(916)	(700)	(125)	(1 129)	(155)	(7 500)	(13 032)
Liabilities	**(140 176)**	**(40 977)**	**(69 883)**	**(27 218)**	**(54 351)**	**(69 636)**	**(23 119)**	**(425 360)**
Total equity	–	–	–	–	(213)	–	(51 066)	(51 279)
Contractual liquidity gap	**(35 381)**	**(3 736)**	**(49 530)**	**(8 231)**	**(26 172)**	**95 793**	**27 257**	**–**
Cumulative liquidity gap	(35 381)	(39 117)	(88 647)	(96 878)	(123 050)	(27 257)	–	

^ *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 52.

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	**58 207**	**650**	**5 388**	**(520)**	**(8 605)**	**(147 399)**	**92 279**	**–**
Cumulative	58 207	58 857	64 245	63 726	55 120	(92 279)	–	

Risk management

(continued)

Regulatory requirements

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

Two minimum standards for funding liquidity were introduced:

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

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

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

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework
- South Africa has an insufficient supply of level 1 assets in domestic currency to meet the aggregate demand.

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

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

To address this systemic challenge, the South African Prudential Authority exercised national discretion and has announced:

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

Despite the above constraints, Investec Bank Limited comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratio into our processes.

Balance sheet risk year in review

- Investec 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. Investec 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	19 236	–	159	–	–	8 240	27 635
Cash and short-term funds – non-banks	9 785	–	–	–	–	208	9 993
Investment/trading assets and statutory liquids	46 587	27 818	16 566	7 390	5 959	31 904	136 224
Securitised assets	7 929	–	–	–	–	–	7 929
Advances	222 260	4 791	1 745	15 217	2 302	3 022	249 337
Other assets	–	–	–	–	–	17 884	17 884
Assets	**305 797**	**32 609**	**18 470**	**22 607**	**8 261**	**61 258**	**449 002**
Deposits – banks	(27 428)	(355)	–	(10)	–	–	(27 793)
Deposits – non-banks	(269 525)	(16 383)	(23 583)	(9 163)	(2 180)	(924)	(321 758)
Negotiable paper	(5 943)	(321)	(518)	(103)	–	–	(6 885)
Securitised liabilities	(2 272)	–	–	–	–	(2)	(2 274)
Investment/trading liabilities	(1 753)	–	–	(197)	(686)	(12 756)	(15 392)
Subordinated liabilities	(11 847)	(1 943)	–	(697)	–	(526)	(15 013)
Other liabilities	–	–	–	(57)	(27)	(12 948)	(13 032)
Liabilities	**(318 768)**	**(19 002)**	**(24 101)**	**(10 227)**	**(2 893)**	**(27 156)**	**(402 147)**
Intercompany loans	10 437	(1 381)	(2 884)	(898)	(96)	663	5 841
Total equity	–	–	(213)	–	(5 363)	(45 703)	(51 279)
Balance sheet	**(2 534)**	**12 226**	**(8 728)**	**11 482**	**(91)**	**(10 938)**	**1 417**
Off-balance sheet	3 429	33	9 275	(9 303)	(4 851)	–	(1 417)
Repricing gap	**895**	**12 259**	**547**	**2 179**	**(4 942)**	**(10 938)**	**–**
Cumulative repricing gap	895	13 154	13 701	15 880	10 938	–	

Economic value sensitivity at 31 March 2018

As outlined above, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	607.9	9.6	1.8	1.1	1.2	(1.8)	813.9
200bps up	(345.9)	(9.1)	(1.9)	(1.4)	(0.6)	–	(545.2)

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

The levels of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable
- Level 2 – Independent operational risk function: responsible for 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 group 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 group's operational risk profile is reported on a regular basis to various operational risk forums and governance committees responsible for oversight.

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

Operational risk practices consist of the following:

	Risk and control assessments	Internal risk events	External risk events	Key risk indicators	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, co-ordinated 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 on page 92) • 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 approximately 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.

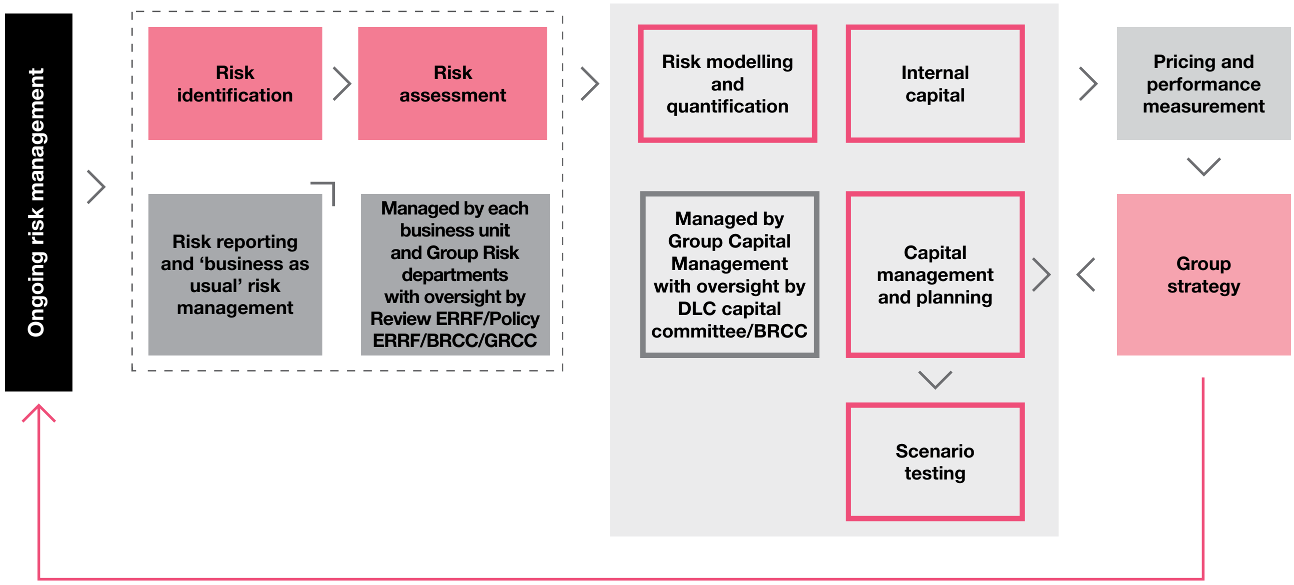
Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely. 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.

Risk management framework

The (simplified) integration of risk and capital management



Capital targets

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

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

Management of leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest South African Prudential Authority regulations. The leverage ratio is a non-risk-based measure intended to prevent excessive build up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2018. Following guidance from the South African Prudential Authority, Investec applies the rules as outlined in the most recent BCBS publication.

Leverage ratio target

Investec is currently targeting a leverage ratio above 6%.

Capital management

Philosophy and approach

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

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

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

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

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

Capital planning and stress/ scenario testing

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

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

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

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

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

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

Pillar 3 disclosure requirements

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

Capital disclosures

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

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 222 to 229 of the Investec Limited group and company annual financial statements 2018.

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

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

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps and 13bps lower respectively.*

Capital structure and capital adequacy *(continued)*

At 31 March 2017	Investec Limited*^ R'million	IBL* R'million
Tier 1 capital		
Shareholders' equity	32 317	33 631
Shareholders' equity per balance sheet	35 500	35 165
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	8 987	–
Non-controlling interests excluded for regulatory purposes	(8 987)	–
Regulatory adjustments to the accounting basis	900	896
Cash flow hedging reserve	900	896
Deductions	(720)	(679)
Goodwill and intangible assets net of deferred tax	(720)	(679)
Common equity tier 1 capital	**32 497**	**33 848**
Additional tier 1 capital	**2 900**	**767**
Additional tier 1 instruments	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	(2 359)	(767)
Non-qualifying surplus capital attributable to non-controlling interests	(69)	–
Non-controlling interest in non-banking entities	61	–
Tier 1 capital	**35 397**	**34 615**
Tier 2 capital	**11 153**	**13 501**
Collective impairment allowances	321	321
Tier 2 instruments	13 805	13 180
Phase out of non-qualifying tier 2 instruments	–	–
Non-qualifying surplus capital attributable to non-controlling interests	(2 973)	–
Total regulatory capital	**46 550**	**48 116**
Risk-weighted assets	**329 808**	**313 010**
Capital ratios		
Common equity tier 1 ratio	9.9%	10.8%
Tier 1 ratio	10.7%	11.1%
Total capital adequacy ratio	14.1%	15.4%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 13bps lower respectively.*

Capital requirements

At 31 March 2018	Investec Limited* R'million	IBL* R'million
Capital requirements	**37 656**	**35 668**
Credit risk	29 389	28 870
Equity risk	2 797	2 521
Counterparty credit risk	653	655
Credit valuation adjustment risk	695	697
Market risk	609	502
Operational risk	3 513	2 423
At 31 March 2017		
Capital requirements	**35 454**	**33 649**
Credit risk	26 008	25 529
Equity risk	4 900	4 730
Counterparty credit risk	574	574
Credit valuation adjustment risk	195	199
Market risk	500	413
Operational risk	3 277	2 204

Risk-weighted assets

At 31 March 2018	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	**338 484**	**320 607**
Credit risk	264 171	259 494
Equity risk	25 140	22 663
Counterparty credit risk	5 867	5 887
Credit valuation adjustment risk	6 251	6 269
Market risk	5 477	4 515
Operational risk	31 578	21 779
At 31 March 2017		
Risk-weighted assets	**329 808**	**313 010**
Credit risk	241 926	237 474
Equity risk	45 583	44 007
Counterparty credit risk	5 344	5 335
Credit valuation adjustment risk	1 817	1 848
Market risk	4 652	3 847
Operational risk	30 486	20 499

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

Investec Limited

Movement in risk-weighted assets

Total RWA grew by 2.6% over the period, with the reasons identified in the categories below.

Credit risk RWAs

Credit risk weights grew by R22.2 billion of which R13.1 billion is associated with book growth in the period. The downgrade of South Africa's credit rating to sub-investment and associated rating of South African exposures resulted in a further increase in RWA 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 R9.1 billion.

Counterparty credit risk and credit valuation adjustment RWAs

Counterparty credit risk RWAs increased by R523 million, while CVA over the period increased by R4.4 billion. The increase is mainly attributable to a change in the mix of rated entities by external rating agencies in the portfolio. CVA was implemented as part of Basel III in South Africa and captures the risk of deterioration in the credit quality of banks OTC derivative counterparties. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs

Equity risk decreased by R20.4 billion, mainly influenced by the change in regulatory treatment noted above in credit risk and a portion of exposure being treated as a capital deduction. The remaining movement follows change in net balance sheet equity exposures.

Market risk RWAs

Market risk RWAs are calculated using the Value at Risk (VaR) approach and has shown an increase, the increase is due to higher VaR figures for the Equity Derivatives and Interest Rate Derivatives desks. The higher VaR and stressed VaR figures were primarily driven by an increase market volatility.

Operational risk RWAs

Operational risk is calculated using the standardised approach and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

Leverage ratios

At 31 March 2018	Investec Limited R'million^	IBL* R'million^
Exposure measure	**495 670**	**466 846**
Tier 1 capital	37 164	35 792
Leverage ratio – current**	**7.5%#**	**7.7%#**
Tier 1 capital 'fully loaded'	35 350	35 179
Leverage ratio – 'fully loaded'^^**	**7.1%#**	**7.5%#**

At 31 March 2017	Investec Limited R'million^	IBL* R'million^
Exposure measure	**483 775**	**457 030**
Tier 1 capital	35 397	34 615
Leverage ratio – current**	**7.3%#**	**7.6%#**
Tier 1 capital 'fully loaded'	33 108	33 848
Leverage ratio – 'fully loaded'^^**	**6.8%#**	**7.4%#**

* *Where: IBL is Investec Bank Limited. The information for Limited includes the information for IBL.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from the capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps (31 March 2017: 24bps) and 13bps (31 March 2017: 13bps) lower respectively.*
^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Movement in total regulatory capital

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

Total regulatory capital flow statement

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

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

Total regulatory capital flow statement *(continued)*

At 31 March 2017	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**29 524**	**31 475**
New capital issues	986	–
Dividends	(2 426)	(1 031)
Profit after taxation	5 064	3 229
Treasury shares	(1 165)	–
Gain on transfer of non-controlling interests	73	–
Share-based payment adjustments	549	–
Movement in other comprehensive income	786	1 104
Goodwill and intangible assets (deduction net of related taxation liability)	42	16
Other, including regulatory adjustments and transitional arrangements	(936)	(945)
Closing common equity tier 1 capital	**32 497**	**33 848**
Opening additional tier 1 capital	**3 418**	**920**
Other, including regulatory adjustments and transitional arrangements	(505)	(153)
Movement in minority interest in non-banking entities	(13)	–
Closing additional tier 1 capital	**2 900**	**767**
Closing tier 1 capital	**35 397**	**34 615**
Opening tier 2 capital	**10 253**	**10 726**
New tier 2 capital issues	4 870	4 870
Redeemed capital	(2 519)	(2 519)
Collective impairment allowances	92	92
Other, including regulatory adjustments and transitional arrangements	(1 543)	332
Closing tier 2 capital	**11 153**	**13 501**
Closing total regulatory capital	**46 550**	**48 116**

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

A summary of capital adequacy and leverage ratios

At 31 March 2018	Investec Limited*^	IBL*^
2018		
Common equity tier 1 (as reported)	10.2%	10.9%
Common equity tier 1 ('fully loaded')^^	10.2%	10.9%
Tier 1 (as reported)	11.0%	11.2%
Total capital adequacy ratio (as reported)	14.6%	15.5%
Leverage ratio** – current	7.5%#	7.7%#
Leverage ratio** – 'fully loaded'^^	7.1%#	7.5%#
2017		
Common equity tier 1 (as reported)	9.9%	10.8%
Common equity tier 1 ('fully loaded')^^	9.9%	10.8%
Tier 1 (as reported)	10.7%	11.1%
Total capital adequacy ratio (as reported)	14.1%	15.4%
Leverage ratio** – current	7.3%#	7.6%#
Leverage ratio** – 'fully loaded'^^	6.8%#	7.4%#

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps and 13bps (31 March 2017: 13bps) lower respectively.*
^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Revised quantitive standardised table and templates

KM1: Key metrics

The following section provides an overview of the key prudential regulatory metrics covering Investec 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
			31 March 2018	**31 December 2017**	**30 September 2017**	**30 June 2017**	**31 March 2017**
	Available capital (amounts)						
1	Common Equity Tier 1 (CET1)		34 379	32 346	33 125	33 583	32 497
1a	Fully loaded ECL accounting model		–	–	–	–	–
2	Tier 1		37 164	35 264	36 044	36 494	35 397
2a	Fully loaded ECL accounting model Tier 1		–	–	–	–	–
3	Total capital		49 512	47 944	47 607	48 896	46 550
3a	Fully loaded ECL accounting model total capital		–	–	–	–	–
	Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	N1	338 484	338 484	337 698	340 068	329 808
	Risk-based capital ratios as a percentage of RWA		**–**	**–**	**–**	**–**	**–**
5	Common Equity Tier 1 ratio (%)		10.2	9.6	9.8	9.9	9.9
5a	Fully loaded ECL accounting model Common Equity Tier 1ratio (%)		–	–	–	–	–
6	Tier 1 ratio (%)		11.0	10.4	10.7	10.7	10.7
6a	Fully loaded ECL accounting model Tier 1 ratio (%)		–	–	–	–	–
7	Total capital ratio (%)		14.6	14.2	14.1	14.4	14.1
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	2.8	2.3	2.6	2.6	2.6
	Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure		495 670	488 886	478 521	471 559	483 775
14	Basel III leverage ratio (%) (row 2/row 13)		7.5	7.2	7.5	7.7	7.3
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 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 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

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 provides 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	**247 081**	**248 477**	**235 486**	**27 488**
2	Of which standardised approach (SA)		247 081	248 477	235 486	27 488
3	Of which internal rating-based (IRB) approach		–	–	–	–
4	**Counterparty credit risk**	N2	**12 118**	**9 138**	**7 161**	**1 348**
5	Of which standardised approach for counterparty credit risk (CEM-CCR)		12 118	9 138	7 161	1 348
6	Of which internal model method (IMM)		–	–	–	–
7	**Equity positions in banking book under market-based approach**	N3	**25 140**	**27 758**	**45 583**	**2 797**
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	**5 477**	**5 173**	**4 652**	**609**
17	Of which standardised approach (SA)		1 213	1 390	1 251	135
18	Of which internal model approaches (IMM)		4 264	3 783	3 401	474
19	**Operational risk**	N4	**31 578**	**31 687**	**30 486**	**3 513**
20	Of which Basic Indicator Approach		–	–	–	–
21	Of which Standardised Approach		31 578	31 687	30 486	3 513
22	Of which Advanced Measurement Approach		–	–	–	–
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	N5	14 752	13 833	4 321	1 641
24	Floor adjustment		–	–	–	–
25	**Total (1+6+10+11+12+13+14+15+16+20+23+24)**	N6	**338 428**	**338 484**	**329 808**	**37 650**

The minimum capital requirements in column (c) are based on the SARB minimum capital requirements of 11.125% and excludes Investec's domestically 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.

Movement is risk-weighted assets (RWA)

The group's RWA increased from R329.8 billion to R338.4 billion. Credit risk-weighted assets grew by R11.6 billion, mainly associated with lending growth. Operational risk grew by R1.1 billion, a function of higher profitability, noting that the calculation is updated bi-annually in September and March.

Notes:

N1: The private client exposures 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 R9.1 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, CVA, SFT, central counterparty and default fund contribution of which the increase is mainly attributable to an increase in CVA RWA.

N3: Equity risk decreased by R20.4 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	19 620	18 540
Non-sovereign and non-bank cash placements	9 993	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	24 217
Sovereign Debt Securities	62 403	62 403
Bank Debt Securities	7 965	7 965
Other Debt Securities	10 390	10 390
Derivative financial instruments	12 563	12 578
Trading Book Securities arising from customer flows	12 289	12 289
Investment Portfolio	6 928	5 810
Loans and advances to customers	249 072	249 072
Own originated loans and advances to customers securitised	7 630	7 630
Other Loans and Advances	265	265
Other Securitised Assets	299	299
Interests in associated undertakings	6 495	6 344
Deferred taxation assets	983	983
Other assets	13 305	12 848
Property; plant and equipment	2 973	2 973
Investment Properties.	19 439	6 548
Goodwill.	211	211
Intangible Assets	412	412
Investment in Subsidiary Companies	–	–
Intergroup	–	413
Non-current assets classified as held for resale	–	–
	476 639	**461 370**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	141 071	–
	617 710	**461 370**
Liabilities		
Deposits by banks	27 793	25 459
Derivative financial instruments	15 907	15 907
Other trading liabilities	14 238	14 238
Repurchase agreements and cash collateral on securities lent	8 395	8 395
Customer accounts	321 823	321 823
Debt securities in issue	6 885	4 593
Liabilities arising on sec of own originated loans and advances	2 274	2 274
Liabilities arising on securitisation of other assets	–	–
Current taxation liability	551	748
Deferred taxation liabilities	171	165
Other liabilities	12 310	11 993
	410 347	**405 595**
Liabilities to customers under investment contracts	141 013	–
Insurance liabilities; including unit-linked liabilities	58	–
	551 418	**405 595**
Subordinated liabilities	15 013	10 088
	566 431	**415 683**

The difference between columns (a) and (b) is associated with the deconsolidation of insurance entities Investec Employee Benefits (IEB) group and Investec Assurance Limited (IAL) for regulatory purposes. Further, while we fully consolidate Investec Property Fund under accounting rules, this is proportionately consolidated under regulatory requirements.

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 may be subject to regulatory capital charges in more than one risk category.

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	–	–	–	–
18 540	–	–	997	–
9 993	–	–	–	–
5 385	18 832	–	10 799	–
62 403	–	–	–	–
7 464	–	501	–	–
8 456	–	1 934	–	–
–	12 578	–	14 577	–
12 289	–	–	12 389	–
5 810	–	–	83	–
249 072	–	–	1 363	–
5 532	–	2 097	–	–
265	–	–	–	–
–	–	–	–	–
6 344	–	–	–	–
983	–	–	183	–
12 848	–	–	2 982	–
2 973	–	–	3	–
6 548	–	–	–	–
–	–	–	–	211
–	–	–	–	412
–	–	–	–	–
413	–	–	1 433	–
–	–	–	–	–
424 505	**31 410**	**4 532**	**44 809**	**623**
–	–	–	–	141 071
424 505	**31 410**	**4 532**	**44 809**	**141 694**
–	–	–	–	–
–	15 907	–	19 838	–
–	–	–	14 564	–
–	8 395	–	917	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	275	–
–	–	–	–	–
–	–	–	3 613	–
–	**24 302**	**–**	**39 206**	**–**
–	–	–	–	141 013
–	–	–	–	58
–	**24 302**	**–**	**39 206**	**141 071**
–	**–**	**–**	**–**	**–**
–	**24 302**	**–**	**39 206**	**141 071**

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

	a	b
At 31 March 2017 R'million	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**
Assets		
Cash and balances at central banks	8 353	8 353
Loans and advances to banks	35 026	33 077
Non-sovereign and non-bank cash placements	8 993	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	30 567	30 567
Sovereign debt securities	47 822	47 822
Bank debt securities	7 758	7 758
Other debt securities	12 028	12 028
Derivative financial instruments	9 842	9 845
Trading book securities arising from customer flows	14 320	14 320
Investment portfolio	6 502	5 521
Loans and advances to customers	227 552	227 552
Own originated loans and advances to customers securitised	8 673	8 673
Other loans and advances	310	310
Other securitised assets	173	173
Interests in associated undertakings	5 514	5 514
Deferred taxation assets	738	738
Other assets	12 040	11 600
Property, plant and equipment	762	762
Investment properties	18 688	6 281
Goodwill	211	211
Intangible assets	508	508
Investment in subsidiary companies	–	(320)
Intergroup	–	2 129
Non-current assets classified as held for resale	456	456
	456 836	**442 871**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	129 596	–
	586 432	**442 871**
Liabilities		
Deposits by banks	35 433	33 251
Derivative financial instruments	12 558	12 558
Other trading liabilities	14 134	14 134
Repurchase agreements and cash collateral on securities lent	7 825	7 825
Customer accounts	303 470	303 470
Debt securities in issue	8 938	6 871
Liabilities arising on securitisation of own originated loans and advances	1 511	1 511
Liabilities arising on securitisation of other assets	–	–
Current taxation liability	1 413	1 609
Deferred taxation liabilities	238	227
Other liabilities	10 940	10 644
	396 460	**392 100**
Liabilities to customers under investment contracts	129 554	–
Insurance liabilities; including unit-linked liabilities	42	–
	526 056	**392 100**
Subordinated liabilities	13 805	13 805
	539 861	**405 905**

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	–	–	–	–
33 077	–	–	1 353	–
8 993	–	–	–	–
5 106	21 514	–	10 370	–
47 822	–	–	–	–
7 252	–	505	–	–
10 198	–	2 217	–	–
–	13 455	–	9 983	–
392	–	–	14 329	–
5 521	–	–	91	–
227 552	–	154	1 763	–
6 824	–	959	–	–
310	–	–	–	–
–	–	–	–	–
5 514	–	–	–	–
738	–	–	161	–
11 600	–	–	3 647	–
762	–	–	3	–
6 281	–	–	–	–
–	–	–	–	211
–	–	–	–	508
(320)	–		–	–
2 129	–	–	(3 425)	–
456	–	–	–	–
388 560	**34 969**	**3 835**	**38 275**	**719**
–	–	–	–	129 596
388 560	**34 969**	**3 835**	**38 275**	**130 315**
–	–	–	–	–
–	12 558	–	16 909	–
–	–	–	14 202	–
–	7 825	–	1 018	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	238	–
–	–	–	–	–
–	–	–	4 224	–
–	**20 383**	**–**	**36 591**	**–**
–	–	–	–	129 554
–	–	–	–	42
–	**20 383**	**–**	**36 591**	**129 596**
–	–	–	–	–
–	**20 383**	**–**	**36 591**	**129 596**

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

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)	**424 505**	**4 532**	**31 410**	**44 809**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–	–	(24 302)	(39 206)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	**424 505**	**4 532**	**7 108**	**5 603**
4	Less: Differences in valuations	32 489	2 097		
5	Less: Differences due to consideration of provisions	1 460			
6	**On-balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**390 556**	**2 435**	**7 108**	**5 603**
7	Off-balance sheet amount before CCF and CRM	83 436			
8	**Exposure amounts considered for regulatory purposes**	**473 992**	**2 435**	**7 108**	**5 603**

		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)**	**388 560**	**3 835**	**34 969**	**38 275**
2	Liabilities carrying value amount under scope of regulatory consolidation	–	–	(20 383)	(36 591)
3	Net carrying value amount of exposures under scope of regulatory consolidation	**388 560**	**3 835**	**14 586**	**1 684**
4	*Differences in valuations*	5 943	959	–	–
5	*Differences due to consideration of provisions*	1 235	–	–	–
6	**On-balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**381 382**	**2 876**	**14 586**	**1 684**
7	Off-balance sheet amount	86 280			
8	**Total exposure considered for regulatory purposes**	**467 662**	**2 876**	**14 586**	**1 684**

Column (a) was excluded above as is it does not represent a value meaningful to the group 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 and 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 R83.4 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 87 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	**0.0163%**	**368 358**	**224 922**	**–**	**55**

The countercyclical capital buffer rate in column (a) has been calculated as the weighted average buffers within the BCBS jurisdictions to which Investec 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 (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	617 710
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	(141 071)
4	Adjustments for derivative financial instruments	(1 722)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	(7 530)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	31 053
7	Other adjustments	(2 770)
8	**Leverage ratio exposure measure**	**495 670**

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: Leverage ratio common disclosure template (January 2014 standard)

(continued)

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)	441 314	435 885
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4 225)	(3 938)
3	**Total on-balance sheet** exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	**437 089**	**431 947**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	8 273	10 099
5	Add-on amounts for PFE associated with all derivatives transactions	4 237	3 338
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)	(1 669)	(1 315)
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)	**10 841**	**12 122**
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	83 436	76 675
18	(Adjustments for conversion to credit equivalent amounts)	(52 383)	(47 959)
19	**Off-balance sheet items** (sum of rows 17 and 18)	**31 053**	**28 716**
Capital and total exposures			
20	**Tier 1 capital**	37 164	35 264
21	**Total exposures** (sum of rows 3, 11, 16 and 19)	**495 670**	**488 886**
Leverage ratio			
22	**Basel III leverage ratio**	**7.5**	**7.2**

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 Limited 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 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 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 the 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.

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**	**3 005**	**258 401**	**(1 459)**	**259 947**
1a	Loans and advances to customers	2 861	247 640	(1 428)	249 073
1b	Own originated loans and advances to customers	–	7 637	6	7 631
1c	Other loans and advances	144	3 124	(25)	3 243
2	**Debt securities**	**–**	**90 750**	**–**	**90 750**
2a	Non-sovereign and non-bank cash placements	–	9 992	–	9 992
2b	Sovereign debt securities	–	62 403	–	62 403
2c	Bank debt securities	–	7 965	–	7 965
2d	Other non-structured debt securities	–	9 245	–	9 245
2e	Other structured debt securities	–	1 145	–	1 145
2f	Other securitised assets	–	–	–	–
3	**Off-balance sheet exposures**	**–**	**65 522**	**–**	**65 522**
4	**Total**	**3 005**	**414 673**	**(1 459)**	**416 219**

		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**	**3 755**	**236 098**	**(1 235)**	**238 618**
1a	Loans and advances to customers	3 616	225 140	(1 204)	227 552
1b	Own originated loans and advances to customers	–	8 679	(6)	8 673
1c	Other loans and advances	139	2 279	(25)	2 393
2	**Debt securities**	**–**	**76 601**	**–**	**76 601**
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	–	10 216	–	10 216
2e	Other structured debt securities	–	1 812	–	1 812
2f	Other securitised assets	–	–	–	–
3	**Off-balance sheet exposures**	**–**	**68 195**	**–**	**68 195**
4	**Total**	**3 755**	**380 894**	**(1 235)**	**383 414**

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 Limited'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**	**3 755**
2	Loans and debt securities that have defaulted since the last reporting period	773
3	Returned to non-defaulted status	(147)
4	Amounts written off	(760)
5	Other changes	(616)
6	**Defaulted loans and debt securities at 31 March 2018**	**3 005**

R'million		a
1	**Defaulted loans and debt securities at 31 March 2016**	**3 261**
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	(527)
5	Other changes	(743)
6	**Defaulted loans and debt securities at 31 March 2017**	**3 755**

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	183 029	100 776	88 300	6 267	5 965	–	–
2	Debt securities	77 093	6 790	2 255	78	78	–	–
	Off-balance sheet	55 964	26 792	26 292	963	963	–	–
3	**Total**	**316 086**	**134 358**	**116 847**	**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	190 235	86 535	78 083	9 727	7 347	–	–
2	Debt securities	62 973	8 965	2 830	–	–	–	–
	Off-balance sheet	63 493	25 095	22 611	174	173	–	–
3	**Total**	**316 701**	**120 595**	**103 524**	**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

(continued)

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	102	1 021	22.4%
3	Multilateral development banks	–	–	–	84	–	0.0%
4	Banks	16 233	269	15 336	131	7 202	46.6%
5	Securities firms	–	1	–	1	1	100.0%
6	Corporates	112 686	44 299	87 621	9 007	96 027	99.4%
7	Regulatory retail portfolios	7 024	6 641	6 543	1 581	6 095	75.0%
8	Secured by residential property	65 355	21 663	70 434	9 935	32 989	41.1%
9	Secured by commercial real estate	83 667	10 147	77 807	3 030	80 701	99.8%
10	Equity	6 335		6 335		25 140	396.8%
11	Past-due loans	3 021	216	2 300	25	2 625	112.9%
12	Higher-risk categories	–	–	–	–	–	0.0%
13	Other assets	24 480	–	24 480	–	33 331	136.2%
14	**Total**	**390 556**	**83 436**	**364 627**	**24 232**	**286 973**	**73.8%**

		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	5 361	652	1 541	25.6%
3	Multilateral development banks	–	–	–	41	–	0.0%
4	Banks	35 245	3 465	35 634	3 457	11 418	29.2%
5	Securities firms	–	1	–	1	1	100.0%
6	Corporates	110 594	45 866	86 510	11 162	95 337	97.6%
7	Regulatory retail portfolios	5 661	6 843	5 303	1 678	5 237	75.0%
8	Secured by residential property	58 783	18 623	63 362	8 482	29 305	40.8%
9	Secured by commercial real estate	74 415	7 637	69 692	1 897	71 332	99.6%
10	Equity	11 158	–	11 158	–	45 583	408.5%
11	Past-due loans	3 321	3	2 526	1	3 055	120.9%
12	Higher-risk categories	–	–	–	–	–	–
13	Other assets	17 083	–	17 083	–	19 676	115.2%
14	**Total**	**381 382**	**86 280**	**358 671**	**29 328**	**285 390**	**73.6%**

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

RWA is driven by exposures to corporates 25%, commercial real estate 21% and sovereign 18% in the current reporting period compared to 25%, 19% 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 R424 billion in LI1 compared to the R413.1 billion on page 25 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 R391 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.

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 is the amount 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	–	8 804
5	Securities firms	–	–	–
6	Corporates	–	–	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**	**67 853**	**–**	**12 998**

		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)	–	–	4 885
3	Multilateral development banks (MDBs)	41	–	–
4	Banks	50		27 787
5	Securities firms	–	–	–
6	Corporates	–	–	2 040
7	Regulatory retail portfolios	–	–	–
8	Secured by residential property	–	–	4
9	Secured by commercial real estate	–	–	184
10	Equity	–	–	–
11	Past-due loans	–	–	–
12	Higher-risk categories	–	–	–
13	Other assets	–	–	–
14	**Total**	**58 831**	**–**	**34 900**

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
	–	367	–	–	–	–	4 554
	–	–	–	–	–	–	84
	–	2 521	–	4 092	–	–	15 467
	–	–	–	1	–	–	1
	–	2 259	97	94 265	–	–	96 628
	–	–	8 113	11	–	–	8 124
	71 829	–	2 765	5 775	–	–	80 369
	–	–	540	80 297	–	–	80 837
	–	–	–	–	–	6 335	6 335
	–	197	–	1 332	796	–	2 325
	–	–	–	–	–	–	–
	–	–	–	18 579	–	5 901	24 480
	71 829	**5 534**	**11 515**	**206 098**	**796**	**12 236**	**388 859**

	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	–	–	–	–	6 013
	–	–	–	–	–	–	41
	–	10 787	–	467	–	–	39 091
	–	–	–	1	–	–	1
	–	1 389	86	94 130	27	–	97 672
	1	–	6 980	–	–	–	6 981
	64 431	–	2 627	4 782	–	–	71 844
	–	–	432	70 973	–	–	71 589
	–	–	–	–	–	11 158	11 158
	–	253	1	963	1 310	–	2 527
	–	–	–	–	–	–	–
	–	–	–	15 355	–	1 728	17 083
	64 432	**18 265**	**10 126**	**187 222**	**1 337**	**12 886**	**387 999**

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)	10 103	3 310		1	7 451	5 396
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**						**5 834**

		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	7 149	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 75 of R12.1 billion (including CCR, CVA and CCPs), represent 3.58% of the total group 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	5 937	6 251
4	**Total subject to the CVA capital charge**	**5 937**	**6 251**

		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	5 794	1 813
4	**Total subject to the CVA capital charge**	**5 794**	**1 813**

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 group'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 – 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.

	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	–	–	–
Banks	60	–	1 371
Securities firms	–	–	–
Corporates	105		147
Regulatory retail portfolios	–	–	–
Other assets			
Total	**165**	**–**	**1 969**

	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**

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

(continued)

d	e	f	g	h	i
50%	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
–	–	802	–	–	802
–	–	19	448	–	918
–	–	–	–	–	–
2 637	–	216	–	–	4 284
50	–	5	–	–	55
138	–	2 298	–	–	2 688
–	15	–	–	–	15
					–
2 825	**15**	**3 340**	**448**	**–**	**8 762**

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 group 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		Fair value of collateral received	Fair value of posted collateral
At 31 March 2018 R'million	Segregated	Unsegregated	Segregated	Unsegregated		
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		Fair value of collateral received	Fair value of posted collateral
At 31 March 2017 R'million	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	1 965	–	320	–	668	10 263
Cash – other currencies	2	–	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 group's exposure 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 notionals	**574**	**190**
Fair values		
Positive fair value (asset)	16	298
Negative fair value (liability)	(17)	(1)

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

CCR8: Exposures to central counterparties

		a	b
At 31 March 2018 R'million		**EAD (post-CRM)**	**RWA**
1	**Exposure to QCCPs (total)**	**2 594**	**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	1 669	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	**Exposure to non-QCCPs (total)**	**–**	**–**
12	**Exposures for t**rades at non-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	–	–

CCR8: Exposures to central counterparties

(continued)

		a	b
At 31 March 2017 **R'million**		**EAD (post-CRM)**	**RWA**
1	**Exposure to QCCPs (total)**	**2 013**	**20**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	964	19
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	**Exposure to non-QCCPs (total)**	**–**	**–**
12	**Exposures for t**rades at non-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 group'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 group only transacts in traditional securitisation schemes and none of the underlying assets or exposures relate to resecuritised assets.

Exposures where the group 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 group has acted as an investor are the investment positions purchased in third party deals.

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

e	f	g	i	j	k
Bank acts as sponsor			Banks 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			Banks 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 as sponsor

The following table presents securitisation exposures in the banking book where the group 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 group 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/SSF A	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSF A	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSF A	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/SSF A	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSF A	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSF A	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 (SA). The group 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

The following table present securitisation exposures in the banking book where the group 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 investment positions purchased in third party SPI exposures.
The group 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 the SA

	At 31 March 2018 Outright products	a RWA
1	Interest rate risk (general and specific)	–
2	Equity risk (general and specific)	1 213
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**1 213**

	At 31 March 2017 Outright products	a RWA
1	Interest rate risk (general and specific)	315
2	Equity risk (general and specific)	936
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	–
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**1 251**

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.

MR2: RWA flow statements of market risk exposures under an IMA

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 a 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

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 2019)

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	8 168
2	Retained earnings	27 415
3	Accumulated other comprehensive income (and other reserves)	574
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**	**36 157**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustment	–
8	Goodwill (net of related tax liability)	211
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	(993)
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)	2 148
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**	**1 778**
29	**Common Equity Tier 1 Capital (CET1) (Row 6 – Row 28)**	**34 379**

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	900
31	of which: classified as equity under applicable accounting standards	900
32	of which: classified as liabilities under applicable accounting standards	–
33	Directly issued capital instruments subject to phase out from Additional Tier 1	1 273
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)	612
35	of which: instruments issued by subsidiaries subject to phase out	541
36	**Additional Tier 1 capital before regulatory adjustments**	**2 785**
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)**	**2 785**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**37 164**
Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1 638
47	Directly issued capital instruments subject to phase out from Tier 2	–
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)	10 075
49	of which: instruments issued by subsidiaries subject to phase out	2 150
50	Provisions	635
51	**Tier 2 capital before regulatory adjustments**	**12 348**
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)**	**12 348**

At 31 March 2018 R'million		Amounts subject to pre-Basel III treatment
59	**Total capital (TC = T1 + T2)**	**49 512**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	338 484
	of which: Credit risk including equity exposures	289 311
	of which: Counterparty credit risk*	12 118
	of which: Market risk	5 477
	of which: Operational risk	31 578
60	**Total risk-weighted assets**	**338 484**
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.2%
62	Tier 1 (as a percentage of risk-weighted assets)	11.0%
63	Total capital (as a percentage of risk-weighted assets)	14.6%
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)	10.2%
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	4 943
74	Mortgage servicing rights (net of related tax liability)	–
75	Deferred tax assets arising from temporary differences (net of related tax liability)	958
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	2 958
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

(continued)

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	INLV01	INLV02
1	Issuer	Investec Limited	Investec Limited	Investec Limited	Investec Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000081949	ZAE000063814	ZAG000118647	ZAG000130634
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	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group	Group
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]	8 168	3 183	550	276
9	Par value of instrument	8 168	3 183	550	276
10	Accounting classification	IFRS: Equity	IFRS: Equity	IFRS: Equity	IFRS: Accrual
11	Original date of issuance	10 December 1925	16 February 2005	12 August 2014	20 October 2015
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	No maturity	20 October 2025
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	12 August 2024	20 October 2020
	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	Floating
18	Coupon rate and any related index	Not applicable	77.77% of prime rate	JIBAR + 4.25%	JIBAR + 3.70%
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	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Cumulative

INLV03	INLV04	INLV05	INB001	IV08	IV09	IV019
Investec Limited	Investec Limited	Investec Limited	Investec Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
ZAG000133448	ZAG000133455	ZAG000150103	BW 0000001924	ZAG000052713	ZAG000052721	ZAG000094442
South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
Tier 2	Tier 2	AT1	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	AT1	Tier 2	Phased out	Phased out	Tier 2
Group	Group	Group	Group	Group and solo	Group and solo	Group and solo
Subordinated unsecured debt	Subordinated unsecured debt	AT1	Subordinated debt	Subordinated unsecured debt	Subordinated unsecured debt	Subordinated debt
94	255	350	1 013	200	200	129
94	255	350	1 398	200	200	64
IFRS: Accrual	IFRS: Accrual	IFRS: Equity	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11 February 16	11 February 16	15 March 2018	28 December 17	30 April 2008	30 April 2008	2 April 2012
Dated	Dated	Perpetual	Dated	Perpetual	Perpetual	Dated
11 February 26	11 February 26	No maturity	28 December 27	No maturity	No maturity	31 March 2028
Yes	Yes	Yes	Yes	Yes	Yes	Yes
11 February 21	11 February 21	22 March 2023	28 December 22	30 April 2018	30 April 2018	31 March 2023
Yes	Yes	Yes	Yes	Yes	Yes	Yes
100% of principal plus interest	100% of principal plus interest	100% of principal plus interest	100% of principal plus interest	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	Every reset date thereafter
Floating	Fixed	Floating	Mixed rate	Fixed	Floating	Floating
JIBAR + 4.35%	12.770%	JIBAR + 5.15%	LIBOR + 4%	13.735%	JIBAR + 3.75%	CPI-linked: 2.60%
No	No	Yes	No	No	No	No
Mandatory	Mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	Yes	Yes	No
Cumulative	Cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Main features disclosure template

(continued)

At 31 March 2018	Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	INLV01	INLV02
23 Convertible or non-convertible	Not applicable	Not applicable	Non-convertible	Non-convertible
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	Partial or full write-off as per regulation, at option of regulator
31 If write-down, write-down trigger(s)	Not applicable	Not applicable	PONV as defined by regulator	PONV as defined by regulator
32 If write-down, full or partial	Not applicable	Not applicable	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33 If write-down, permanent or temporary	Not applicable	Not applicable	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)	Additional Tier 1 instruments	Tier 2 instruments	Tier 1 instruments	Any amounts due and payable to Senior Creditors at INL
36 Non-compliant transitioned features	Not applicable	Yes	No	No
37 If yes, specify non-compliant features	Not applicable	Excludes loss absorbency requirements	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)

INLV03	INLV04	INLV05	INB001	IV08	IV09	IV019
Non-convertible	Non-convertible	Non-convertible	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
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	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	Not applicable	Not applicable	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	Not applicable	Not applicable	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	Not applicable	Not applicable	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	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Any amounts due and payable to Senior Creditors at INL	Any amounts due and payable to Senior Creditors at INL	Tier 1 instruments	Any amounts due and payable to Senior Creditors at INL	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	Yes	Yes	No
Not applicable	Not applicable	Not applicable	Not applicable	Incentive to redeem	Incentive to redeem	Not applicable

Composition of capital disclosure requirements

Main features disclosure template

(continued)

At 31 March 2018	IVO19A	IVO25	IVO26	IVO30	IVO30A
1 Issuer	Investec Bank Limited	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)	ZAG000095779	ZAG000099680	ZAG000100041	ZAG000100553	ZAG000100884
3 Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa	South Africa
Regulatory treatment					
4 Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5 Post-transitional Basel III rules	Tier 2	Phased out	Phased out	Tier 2	Tier 2
6 Eligible at solo/group/group and solo	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	Subordinated debt
8 Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)[1]	368	1 000	750	444	420
9 Par value of instrument	230	1 000	750	324	350
10 Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11 Original date of issuance	28 May 2012	12 September 2012	27 September 2012	18 October 2012	26 October 2012
12 Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13 Original maturity date	31 March 2028	12 September 2024	27 September 2024	31 January 2025	31 January 2025
14 Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15 Optional call date, contingent call dates and redemption amount	3 April 2023	12 September 2019	27 September 2019	31 January 2020	31 January 2020
Tax and/or regulatory event	Yes	Yes	Yes	Yes	Yes
Redemption amount	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	Investment amount plus interest plus change in price of replicated bond
16 Subsequent call date, if applicable	Every reset date thereafter	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	Floating
18 Coupon rate and any related index	CPI-linked: 2.60%	JIBAR + 2.5%	JIBAR + 2.45%	CPI-linked: 2.00%	CPI-linked: 2.00%
19 Existence of a dividend stopper	No	No	No	No	No
20 Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21 Existence of step up or other incentive to redeem	No	No	No	No	No
22 Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Main features disclosure template

(continued)

	IVO31	IVO32	IVO33	IV034	IV035	IV036
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000103722	ZAG000108051	ZAG00013342	ZAG000133430	ZAG000134610	ZAG000135526
	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
	500	810	159	101	1 468	32
	500	810	159	101	1 468	32
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	11 March 2013	14 August 2013	11 February 2016	11 February 2016	17 March 2016	22 April 2016
	Dated	Dated	Dated	Dated	Dated	Dated
	11 March 2025	14 August 2023	11 February 2026	11 February 2026	7 April 2027	22 July 2026
	Yes	Yes	Yes	Yes	Yes	Yes
	11 March 2020	14 August 2018	11 February 2021	11 February 2021	7 April 2022	22 July 2021
	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	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
	Floating	Floating	Floating	Fixed	Floating	Floating
	JIBAR + 2.95%	JIBAR + 2.95%	JIBAR + 4.25%	12.47%	JIBAR + 4.65%	JIBAR + 4.25%
	No	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Main features disclosure template

(continued)

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

At 31 March 2018	IVO19A	IVO25	IVO26	IVO30	IVO30A
23 Convertible or non-convertible	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	Convertible or write-off as per regulation, at option of regulator
24 If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25 If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26 If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27 If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28 If convertible, specify instrument type convertible into	Not applicable	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	Not applicable
30 Write-down feature	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	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	Not applicable	Not applicable	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	Not applicable	Not applicable	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33 If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	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	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	Any amounts due and payable to Senior Creditors
36 Non-compliant transitioned features	No	Yes	Yes	No	No
37 If yes, specify non-compliant features	Not applicable	No PONV in contract	No PONV in contract	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)

	IVO31	IVO32	IVO33	IV034	IV035	IV036
	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
	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		IVO37	IVO38	IVO39	IVO40	IVO41
1	Issuer	Investec Bank Limited	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	ZAG000139593	ZAG000139700	ZAG000139718	ZAG000139726
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa	South Africa
	Regulatory treatment					
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	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	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)[1]	1 182	350	166	589	190
9	Par value of instrument	1 724	350	119	589	190
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	19 October 2016	23 September 2016	29 September 2016	29 September 2016	29 September 2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	19 October 2026	23 September 2026	31 January 2027	29 September 2026	29 September 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	19 October 2021	23 September 2021	31 January 2022	29 September 2021	29 September 2021
	Tax and/or regulatory event	Yes	Yes	Yes	Yes	Yes
	Redemption amount	100% of principal and interest	100% of principal and interest	Inflation adjusted 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	Every reset date thereafter
	Coupons/dividends					
17	Fixed or floating dividend coupon	Mixed Rate	Floating	Mixed rate	Floating	Mixed rate
18	Coupon rate and any related index	LIBOR + 5.5%	JIBAR + 4.25%	CPI-linked: 2.75%	J + 4.25%	11.97%
19	Existence of a dividend stopper	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Main features disclosure template

(continued)

	IVO42	IVO43	IVO44	IV045	IV046	IV047
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000140708	ZAG000140765	ZAG000141797	ZAG000141805	ZAG000144585	Unlisted
	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
	50	150	240	1 603	1 200	1 073
	50	150	240	1 160	1 200	1 517
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	18 November 2016	21 November 2016	31 January 2017	31 January 2017	21 June 2017	30 June 2017
	Dated	Dated	Dated	Dated	Dated	Dated
	18 November 2026	21 November 2026	31 January 2027	31 January 2027	21 June 2027	30 June 2022
	Yes	Yes	Yes	Yes	Yes	Yes
	18 November 2021	21 November 2021	31 January 2022	31 January 2022	21 June 2022	30 June 2027
	Yes	Yes	Yes	Yes	Yes	Yes
	100% of principal and interest	100% of principal and interest	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	Every reset date thereafter	Every reset date thereafter
	Floating	Mixed rate	Floating	Mixed rate	Floating	Mixed rate
	J + 4.25%	12,50%	J + 4.15%	CPI-linked: 2.75%	J + 3.90%	LIBOR + 4.5%
	No	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Main features disclosure template

(continued)

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

At 31 March 2018	IVO37	IVO38	IVO39	IVO40	IVO41
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	Convertible or write-off as per regulation, at option of regulator
24 If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25 If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26 If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27 If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28 If convertible, specify instrument type convertible into	Not applicable	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	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	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	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	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	Permanent as per G7/2013
34 If write-down, description of write-up mechanism	Not applicable	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	Any amounts due and payable to Senior Creditors
36 Non-compliant transitioned features	No	No	No	No	No
37 If yes, specify non-compliant features	Not applicable	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)

	IVO42	IVO43	IVO44	IV045	IV046	IV047
	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
	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

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 ten key risks as highlighted by the board of directors. The requirements of table OVA are therefore discussed in relation to these ten 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	17
	Investment risk	40
	Traded market risk	45
	Balance sheet risk	49
	Liquidity risk	49 – 50
	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	16
(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	17
	Investment risk	40
	Traded market risk	45
	Balance sheet risk	49
	Liquidity risk	49 – 50
	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	16
(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	62
(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	19
	Summary of investments held and stress testing analysis	41
	Capital stress testing scenarios	63
	Stress testing is used as a mitigation technique against some of the key risks identified and is discussed in the mitigation section referenced below	

Annexure

(continued)

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	40
	Traded market risk	45
	Balance sheet risk	49
	Liquidity risk	49 – 50
	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	76 – 77
(b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2	Refer to table LI2	80
(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 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)	Property valuations Valuation and accounting methodologies	19 42
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.		49
(b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.		50
(c) Liquidity risk mitigation techniques.		50
(d) An explanation of how stress testing is used.		50
(e) An outline of the bank's contingency funding plans.		52

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	17 – 20
(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	21 – 22
(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 21 and 22.*	n/a
(e) Breakdown of exposures by geographical areas, industry and residual maturity	Gross on balance sheet exposure by industry and residual maturity	27 – 28
(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	31
(g) Ageing analysis of accounting past-due exposures	An age analysis of past due and default core loans and advances to customers	32 – 34
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	22
(b) Core features of policies and processes for collateral	Credit risk mitigation	22
(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	22 39

Annexure

(continued)

Requirement	Key risk/Section of key risk	Page number
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	18 – 19
(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 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	17
(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*	17
(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*	22
(d) Policies with respect to wrong-way risk exposures	Credit and counterparty risk management	17
(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

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	43
(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	43
(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	45 – 48
(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	46 – 47

Annexure

(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	Not disclosed as the bank follows the standardised approach for operational risk	
(c) For banks using the AMA, a description of the use of insurance for the purpose of mitigating 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.	Non-trading interest rate risk description Management and measurement of non-trading interest rate risk Interest rate sensitivity gap	54 – 55 55 56
(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)		
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.		

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