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.

			Risk-weighted assets (IRB)			Minimum capital requirements
			A	B		C
			(IRB)	Pro-forma (IRB)	Actual (STD)	(IRB)
	R'million	Notes	30 June 2019	31 March 2019	31 March 2019	30 June 2019
1	**Credit risk (excluding counterparty credit risk) (CCR)**	N1	**226 794**	**231 902**	**272 547**	**23 910**
2	Of which standardised approach (SA)		84 504	88 983	272 547	9 743
3	Of which foundation internal rating-based (F-IRB) approach		122 884	123 209	-	14 168
4	Of which supervisory slotting approach		5 082	5 385	-	586
5	Of which internal rating-based (A-IRB) approach		14 324	14 324	-	1 651
6	**Counterparty credit risk**	N2	**5 805**	**5 206**	**6 349**	**669**
7	Of which standardised approach for counterparty credit risk (CEM-CCR)		5 805	5 206	6 349	669
8	Of which internal model method (IMM)			-	-	-
9	Of which: other CCR			-	-	-
10	**Credit valuation adjustment (CVA)**		**3 832**	**3 310**	**3 392**	**442**
11	**Equity positions in banking book under market-based approach**	N3	**16 111**	**16 159**	**16 159**	**1 857**
12	Equity investments in funds – look-through approach		-	-	-	-
13	Equity investments in funds – mandate-based approach		-	-	-	-
14	Equity investments in funds – fall-back approach		-	-	-	-
15	Settlement risk		-	-	-	-
16	**Securitisation exposures in banking book**		**1 950**	**2 102**	**3 053**	**225**
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)		1 619	1 771	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)		-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)		331	331	3 053	225
20	**Market risk**		**3 209**	**3 308**	**3 308**	**370**
21	Of which standardised approach (SA)		245	167	167	38
22	Of which internal model approaches (IMA)		2 964	3 141	3 141	342
23	Capital charge for switch between trading book and banking book			-	-	-
24	**Operational risk**	N4	**21 939**	**21 939**	**21 939**	**2 529**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	N5	**13 803**	**13 580**	**13 568**	**1 591**
26	**Floor adjustment**	N6	**-**	**-**	**-**	**-**
27	**Total (1+6+10+11+12+13+14+15+16+20+23+ 24+25+26)**		**293 443**	**297 506**	**340 315**	**33 832**

OV1: OVERVIEW OF RWA

(Continued)

The commentary for the movement in risk-weighted assets (RWA) below is based on comparisons between March 2019 and June 2019.

The minimum capital requirements in column (c) are based on the SARB minimum capital requirements of 11.529% and excludes Investec's domestic significant important bank (DSIB) and Pillar 2B add-on in line with the Banks Act circular 5 of 2014.

Effective 1 April, Investec Bank Limited adopted the Internal Ratings Based (IRB) approach for calculating regulatory capital. As such the 30 June 2019 capital disclosures have been prepared on this basis. Pro-forma IRB numbers are provided for comparison purposes only.

Movement in risk-weighted assets (RWA)

The Investec Bank Limited group's RWA decreased from R340.3 billion (STD) to R293.4 billion (IRB). The positive impact on our capital requirements are driven by the adoption of IRB from 1 April 2019.

Notes:

N1: The decrease in RWA was mainly due to the adoption of IRB from 1 April 2019.

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

N3: Equity risk remained flat over the period. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equity 424%. The impact of this is proportionately much larger movement in RWA than the associated balance sheet equity value.

N4: 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: Exposures relate to investment in significant financial entities and deferred tax assets risk-weighted at 250%.

N6: The capital floor is calculated in line with directive 3 of 2013.

LR1: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE (JANUARY 2014 STANDARD)

The purpose of the LR1 table below is to reconcile the total assets in the published financial statements to the leverage ratio exposure measure.

30 June 2019 R'million		a
1	Total consolidated assets as per published financial statements	471 013
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	(6 265)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	(487)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	46 240
7	Other adjustments	(4 158)
8	**Leverage ratio exposure measure**	**506 343**

31 March 2019 R'million		a
1	Total consolidated assets as per published financial statements	475 603
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	(1 688)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	(1 377)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	35 282
7	Other adjustments	(2 750)
8	**Leverage ratio exposure measure**	**505 070**

LR2: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE (JANUARY 2014 STANDARD))

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

		a	b
	R'million	30 June 2019	31 March 2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	443 171	449 716
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4 158)	(4 531)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**439 013**	**445 185**
Derivative exposures		5 396	
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	2 803	5 275
5	Add-on amounts for PFE associated with all derivatives transactions	-	3 128
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)	(2 541)	(2 391)
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)**	**5 658**	**6 012**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	12 864	16 702
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	2 567	1 889
15	Agent transaction exposures	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**15 431**	**18 592**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	92 194	88 245
18	(Adjustments for conversion to credit equivalent amounts)	(45 954)	(52 963)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**46 240**	**35 282**
Capital and total exposures		-	-
20	Tier 1 capital	39 097	39 071
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**506 343**	**505 070**
Leverage ratio			
22	**Basel III leverage ratio**	**7.7**	**7.7**

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. 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.

		a	b
At 30 June 2019 R'million		**Total unweighted value (average)**	**Total weighted value (average)**
High-quality liquid assets			
1	Total HQLA		96 749
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**76 386**	**7 639**
3	Stable deposits	-	-
4	Less stable deposits	76 386	7 639
5	**Unsecured wholesale funding, of which**	**108 114**	**79 358**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	107 414	78 658
8	Unsecured debt	700	700
9	Secured wholesale funding		172
10	**Additional requirements, of which:**	**66 584**	**10 784**
11	Outflows related to derivatives exposures and other collateral requirements	12 250	4 621
12	Outflows related to loss of funding on debt products	106	106
13	(Undrawn committed) credit and liquidity facilities	54 228	6 057
14	**Other contractual funding obligations**	**256**	**256**
15	Other contingent funding obligations	92 206	6 804
16	**Total cash outflows**		**105 012**
Cash inflows			
17	Secured lending (e.g. reverse repos)	21 352	2 643
18	Inflows from fully performing exposures	39 234	34 370
19	Other cash inflows	2 444	2 210
20	**Total cash inflows**	**63 030**	**39 223**

		Total adjusted value
21	Total HQLA	96 749
22	Total net cash outflows	65 788
23	**Liquidity coverage ratio (%)**	**147.4**

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 91 calendar daily values over the period 1 April 2019 to 30 June 2019 for Investec Bank Limited (IBL) bank solo. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of April, May and June 2019 month-end values.

LIQ1: LIQUIDITY COVERAGE RATIO (LCR)

(Continued)

The minimum LCR requirement in South Africa is 100% as of 1 January 2019, for both IBL bank solo and IBL consolidated group. The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 80% from 1 January 2019, up from 70% last year.

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

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 March 2019 quarter-end:

- The average LCR increased by 3%, remaining fully compliant with regulatory requirements, and within the target range set by the Board.

CR8: RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER IRB

The purpose of this table is to present a flow statement explaining variations in the credit risk-weighted assets (RWA) determined under an IRB approach.

		a
		RWA amounts
R'million		
1	**RWA as at end of previous reporting period (31 March 2019)**	-
2	Asset size	-
3	Asset quality	-
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	-
8	Other	142 290
9	**RWA as at end of reporting period (30 June 2019)**	**142 290**

Investec Bank Limited was granted approval by the Prudential Authority in March 2019 to calculate its minimum capital requirements in respect of credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB); and for wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB) effective 1 April 2019.

KM1: KEY METRICS

The following section provides an overview of the key prudential regulatory metrics covering Investec Bank Limited group's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratio and net stable funding ratio trends over time.

			a	b	c	d	e
At 30 June 2019 R'million			**30 June 2019 (IRB)**	**31 March 2019 (STD)**	**31 December 2018 (STD)**	**30 September 2018 (STD)**	**30 June 2018 (STD)**
Available capital (amounts)							
1	Common Equity Tier 1 (CET1)		38 177	38 151	36 808	35 885	34 452
1a	Fully loaded ECL accounting model		38 177	37 904	36 437	35 514	34 070
2	Tier 1		39 097	39 071	37 772	36 849	35 416
2a	Fully loaded ECL accounting model Tier 1		38 637	38 364	36 787	35 864	35 033
3	Total capital		53 785	53 866	52 305	50 333	49 647
3a	Fully loaded ECL accounting model total capital		51 575	51 576	49 821	47 849	49 515
Risk-weighted assets (amounts)							
4	Total risk-weighted assets (RWA)		293 443	340 315	333 056	330 146	325 051
Risk-based capital ratios as a percentage of RWA							
5	Common Equity Tier 1 (%)		13.0	11.2	11.1	10.9	10.6
5a	Fully loaded ECL accounting model Common Equity Tier 1		13.0	11.1	10.9	10.8	10.5
6	Tier 1 ratio (%)		13.3	11.5	11.3	11.2	10.9
6a	Fully loaded ECL accounting model Tier 1 (%)		13.2	11.3	11.0	10.9	10.8
7	Total capital ratio (%)		18.3	15.8	15.7	15.2	15.3
7a	Fully loaded ECL accounting model total capital ratio (%)		17.6	15.2	15.0	14.5	15.3
Additional CET1 buffer requirements as a percentage of RWA							
8	Capital conservation buffer requirement (2.5% from 2019) (%)		2.5	2.5	1.9	1.9	1.9
9	Countercyclical buffer requirement (%)		0.0293	0.0295	0.0144	0.0	0.0
10	Bank G-SIB and/or D_SIB additional requirements (%)	N1	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)		2.5	2.5	1.9	1.9	1.9
12	CET1 available after meeting the bank's minimum capital requirements (%)	N1	5.5	3.7	3.7	3.5	3.2
Basel III leverage ratio							
13	Total Basel III leverage ratio exposure measure		506 343	505 070	500 204	479 820	472 789
14	Basel III leverage ratio (%) (row 2 / row 13)		7.7	7.7	7.6	7.7	7.5
14 a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row 13)		7.6	7.6	7.4	7.5	7.4
Liquidity Coverage Ratio							
15	Total HQLA		96 749	82 331	81 386	78 202	84 969
16	Total net cash outflow		65 788	57 018	54 969	54 795	62 573
17	LCR ratio (%)	N2	147.4	144.6	148.6	143.3	136.1
Net Stable Funding Ratio							
18	Total available stable funding		300 812	315 194	303 238	294 934	277 513
19	Total required stable funding		266 831	269 824	269 925	259 998	255 580
20	NSFR ratio		114.0	116.8	112.3	113.4	108.6

KM1: KEY METRICS

(Continued)

Investec Bank Limited group capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, the Investec Bank Limited group common equity tier 1 ratio and tier 1 ratio would be 40bps lower and the total capital adequacy ratio would be 30bps lower.

The fully loaded ratio and capital amounts throughout the KM1 template assume full adoption of IFRS 9 and are based on Basel III capital requirements as fully phased in by 2022.

Notes:

N1: Minimum requirements are disclosed excluding any D-SIB or Pillar 2B requirements as specified in the Banks Act Circular 6 of 2016.

N2: Refer to the LIQ1: Liquidity Coverage ratio template and commentary on pages 5 and 6 of this report.

MR2: RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER AN IMA

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

		a	b	c	d	e	f
At 30 June 2019 R'million		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	RWA at previous quarter end	1 262	1 879	-	-	-	3 141
2	Movement in risk levels	(164)	(13)	-	-	-	(177)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
8	RWA at end of reporting period	1 097	1 866	-	-	-	2 964

		a	b	c	d	e	f
At 31 March 2019 R'million		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	RWA at previous quarter end	1 457	2 136	-	-	-	3 593
2	Movement in risk levels	(195)	(257)	-	-	-	(452)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
8	RWA at end of reporting period	1 262	1 879	-	-	-	3 141

RWA in this table is derived by multiplying the capital required by 12.5.

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 30 June 2019 R'million		**VaR (10 day 99%)**
1	Maximum value	35
2	Average value	25
3	Minimum value	20
4	Period end	22
		Stressed VaR (10 day 99%)
5	Maximum value	87
6	Average value	43
7	Minimum value	21
8	Period end	39
		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)	-

MR3: IMA VALUES FOR TRADING PORTFOLIOS

(Continued)

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

		a
At 31 March 2019 R'million		**VaR (10 day 99%)**
1	Maximum value	44
2	Average value	29
3	Minimum value	23
4	Period end	26
		Stressed VaR (10 day 99%)
5	Maximum value	76
6	Average value	44
7	Minimum value	27
8	Period end	27
		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)	-