DISCLOSURE REPORT | 2019

Investec Bank Limited group
Basel Pillar III
annual disclosure report

Investec

The Investec Bank Limited group Pillar III report covers the period 1 April 2018 to 31 March 2019

Scope and framework

This document encompasses Investec Bank Limited group, including both regulated and unregulated entities, which is equivalent to the scope of the consolidated banking group as defined by the South African Reserve Bank for consolidated regulatory reporting purposes.

In terms of Regulation 43(1) 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, among other things, to make an accurate assessment of the group's financial condition, including, but not limited to, its capital adequacy position, and its liquidity position, financial performance, leverage ratio, ownership, governance, business activities, risk profile and risk-management practices. In this regard the Basel Committee on Banking Supervision (BCBS) issued a revised Pillar III framework in January 2015 and the consolidated and enhanced framework in March 2017 as well as the updated framework on Pillar III disclosure requirements in December 2018.

The Prudential Authority (PA) removed all disclosure requirements from the Regulations and previous Banks Act directives related to disclosure requirements through Directive1/2019 (the directive) in order to create a single point of reference for the disclosure requirements to ensure the internationally agreed Pillar III framework is fully implemented in South Africa. The provisions of this directive are not related to any disclosure requirements that may be specified by the Johannesburg Stock Exchange Limited (JSE) in respect of the Stock Exchange News Service (SENS) from time to time.

In line with the directive, retrospective disclosures and templates that require the disclosure of data points for current and previous reporting periods, are not required when metrics for new standards are reported for the first time.

The Pillar III reports are published on Investec's Investor Relations website in line with the required frequency of disclosures per the directive and is done for both the Investec Bank and Investec Limited group.

Assurance and policy

In line with Investec's Pillar III disclosures policy, all Pillar III announcements and releases are reviewed and approved by the Board and senior management, and annually by external audit prior to their release on the Investor Relations website. 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

The Pillar III disclosures are published in line with disclosure dates that are commensurate with the 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 for purposes of capital adequacy:

- Credit risk (including securitisation risk): The standardised approach (TSA)
- Market risk: A combination of the standardised (TSA) and internal model method (IMM) approaches
- Operational risk: The standardised approach (TSA)
- Equity risk in the banking book: The Market-based approach – Simple Risk Weight Method (MSRM)
- Counterparty credit risk: The Current Exposure Method (CEM)

In this regard, all tables and disclosures may not be relevant to Investec and are excluded from this Pillar III report as listed in Annexure A pages 127 to 133 of this report. Annexure A also lists qualitative disclosures with references to specific pages in Section 3 of this report.

Investec Bank limited was granted approval by the PA in March 2019 to calculate its minimum capital requirements in respect of credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB); and for wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB) effective 1 April 2019. In this regard, we have provided pro-forma (unaudited) amounts of the impact of our IRB approvals (as at 31 March 2019) in tables KM1 (column f) and OV1 (column d). This is to ensure that the key metrics and overview of RWA tables have comparative numbers in future disclosures, as well as to show the positive impact of the new measurement approaches on our capital adequacy going forward.

Annual disclosures related to remuneration are reported separately from this Pillar III report and are contained on pages 114 to 130 of the Investec Bank Limited group and company annual financial statements 2019. The quantitative tables and templates relevant to Investec are depicted in Section 4 of this report.

Cross reference tools

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

DOCUMENT REFERENCE
Refers readers to information elsewhere in other documents

ABBREVIATIONS

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

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

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BOARD-APPROVED DISCLOSURE POLICY

BOARD-APPROVED DISCLOSURE POLICY

1

The board of directors (the board) of Investec Bank Limited recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about Investec Bank Limited and its subsidiaries.

Investec endeavours to:

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

The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them. Investec has developed a framework to ensure that it complies with all relevant public disclosure obligations and to uphold the board's communication and disclosure philosophy.

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

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

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

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

The board is satisfied that:

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

David Friedland
Chairman of the board risk and capital committee

21 June 2019

INDEPENDENT AUDITORS' REVIEW REPORT

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To the Directors of Investec Bank Limited

We have reviewed the Basel Pillar III disclosure report of Investec Bank Limited at and for the year ended 31 March 2019, and the related narrative commentary that supplements the quantitative information provided in the report, as set out in pages 11 to 133 of the Investec Bank Limited Basel Pillar III disclosure report.

Directors' Responsibility for the Basel Pillar III disclosure

The directors are responsible for the preparation of the Basel Pillar III disclosure report in accordance with Directive 01/2019 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 is 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.

Auditor's Responsibility

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Basel Pillar III disclosure report of Investec Bank Limited at and for the year ended 31 March 2019 is not prepared, in all material respects, in accordance with the Directive 01/2019 issued in terms of section 6(6) of the Banks Act 94 which makes reference to the Revised Pillar III Disclosure Requirements issued by the Basel Committee on Banking Supervision.

Ernst & Young Inc.
Registered Auditor
Ernst & Young Inc.
Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director
21 June 2019

KPMG Inc.
Registered Auditor
KPMG Inc
Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director
21 June 2019

3 RISK MANAGEMENT

Risk management objectives are to:

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

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 20 to 79 with further disclosures provided in the annual financial statements section on pages 144 to 234. Where applicable throughout the risk disclosures, comparative information is reported under IFRS 9 at 1 April 2018. 31 March 2018 information can be found on pages 245 and 250. This has been presented on an IAS 39 basis and not restated as permitted under IFRS 9.

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

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

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

Philosophy and approach to risk management

The IBL Board Risk and Capital Committee (IBL BRCC) approves the overall risk appetite for the bank. The risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running our businesses.

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

Risk awareness, control and compliance are embedded in all our day-to-day activities. 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 bank.

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

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

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

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

IFRS 9 became effective from 1 April 2018. IFRS 9 replaced IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. Investec Limited confirmed to the South African Prudential Authority that the transitional arrangements will be used to absorb the full impact permissible of IFRS 9 in regulatory capital calculations for both Investec Limited and IBL.

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

Our risk appetite framework as set out on page 14 continues to be assessed in light of prevailing market conditions and group strategy.

Credit risk

Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short to medium term.

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

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

Underlying core assets continue to perform well. There was growth in net core loans of 6.9% to R269.4 billion (1 April 2018: R251.9 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

We have observed a small percentage increase in our Stage 2 and Stage 3 exposures. Stage 2 exposure amounted to R10.8 billion or 4.0% of gross core loans and advances subject to ECL as at 31 March 2019 (1 April 2018: R9.3 billion or 3.7%). Stage 3 exposure amounted to R3.6 billion or 1.3% of gross core loans and advances subject to ECL as at 31 March 2019 (1 April 2018: R2.9 billion or 1.1%). The credit loss ratio improved to 0.27% (31 March 2018: 0.28%) remaining at the lower end of its long term average range.

Investment risk

Overall, we remain comfortable with the performance of the majority of our equity investment portfolios, which comprise 3.0% of total assets.

Traded market risk

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

Balance sheet and liquidity risk

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

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

Capital management

The bank has received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in a pro-forma CET 1 ratio of 12.5% had the FIRB approach been applied as of 31 March 2019. Leverage ratios are robust and remain comfortably ahead of the bank's target of 6% (31 March 2019: 7.7%)

The bank has continued to maintain a sound balance sheet with a low gearing ratio of 11.0 times and a core loans to equity ratio of 6.4 times.

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

Conduct, operational and reputational risk

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

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

The bank's stress testing framework is well embedded in its operations and is designed to identify and regularly test the bank's key 'vulnerabilities under stress'. A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from risk, the business and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the

IBL specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios have been developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

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

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

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

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

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

Salient features

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

Year to 31 March	2019	2018
Total assets (R'million)	475 603	444 072
Total risk-weighted assets (R'million)	340 315	320 607
Total equity (R'million)	41 760	38 415
Cash and near cash (R'million)	118 365	116 533
Customer accounts (deposits) (R'million)	341 710	321 893
Loans and advances to customers to customer deposits	76.6%	76.9%
Structured credit as a % of total assets	0.34%	0.26%
Banking book investment and equity risk exposures as a % of total assets	3.00%	3.29%
Traded market risk: one-day value at risk (R'million)	3.8	3.2
Core loans to equity ratio	6.4x	6.6x
Total gearing ratio*	11.0x	11.2x
Return on average assets#	1.08%	1.12%
Return on average risk-weighted assets#	1.46%	1.48%

	31 March 2019	1 April 2018
Net core loans and advances (R'million)	269 404	251 988
Stage 3 exposure as a % of gross core loans and advances subject to ECL	1.3%	1.1%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	0.7%	0.7%
Credit loss ratio**	0.27%	0.28%
Level 3 (fair value assets) as a % of total assets	0.85%	0.85%
Total capital adequacy ratio	15.8%	15.4%
Tier 1 ratio	11.5%	11.0%
Common equity tier 1 ratio	11.2%	10.7%
Common equity tier 1 ratio (Pro-forma FIRB)^	12.5%	n/a
Leverage ratio – current	7.7%	7.6%

* *Total assets excluding intergroup loans to equity.*
** *ECL impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL. The credit loss ratio comparatives are as at 31 March 2018 (under IAS 39)*
# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.*
^ *We have approval to adopt the Foundation Internal Rating Based (FIRB) approach effective 1 April 2019.*

Overall group risk appetite

The bank has board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. The risk appetite framework acts as a guide to determine the acceptable risk profile of the bank and ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The bank ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities whilst keeping in line with the group's risk appetite parameters. The risk appetite statement is a high-level, strategic framework that supplements the detailed risk policy documents at each entity and geographic level. The risk appetite framework is a function of business strategy, budget and capital processes, our stress testing reviews and the regulatory and economic environment in which the bank is operating. The bank 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 IBL BRCC and board as well as DLC BRCC and DLC board.

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

Risk appetite and tolerance metrics	*Positioning at 31 March 2019*
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 78.3% of total operating income. Refer to page 8 of the Investec Bank Limited group and company annual financial statements 2019 for further information
We seek to maintain strict control over fixed costs and target a cost to income ratio between 49% to 52%	The cost to income ratio amounted to 51.7%. Refer to page 8 of the Investec Bank Limited group and company annual financial statements 2019 for further information
We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	The current leverage ratio amounted to 7.6%. Refer to page 67 for further information
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% and we target a minimum tier 1 ratio of 11% and a common equity tier 1 ratio above 10%	We met these targets; Our total capital adequacy ratio amounted to 15.8% and our common equity tier 1 ratio amounted to 11.2%. Refer to page 68 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	Refer to page 17 for further information
We target a credit loss ratio of less than 0.5% and Stage 3 net of ECL as a % of net core loans and advances to be less than 1.5%	We currently remain within all tolerance levels. The credit loss ratio amounted to 0.27%. Stage 3 net of ECL as a % of net core loans and advances amounted to 0.7%. Refer to pages 33 and 34 for further information
We carry a high level of liquidity in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to R118.4 billion at year end representing 34.6% of customer deposits. Refer to page 50 for further information
We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million	We met these internal limits; one-day VaR was R3.8 million at 31 March 2019. Refer to page 45 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 R2 319 million, representing 5.9% of total tier 1 capital. Refer to page 41 for further information
Our operational risk team focuses on appropriately identifying and managing operational risk within acceptable levels by adopting sound operational risk practices that are fit for purpose. We have heightened focus on financial and cybercrime	Refer to pages 58 to 61 for further information
We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to pages 61 and 62 for further information

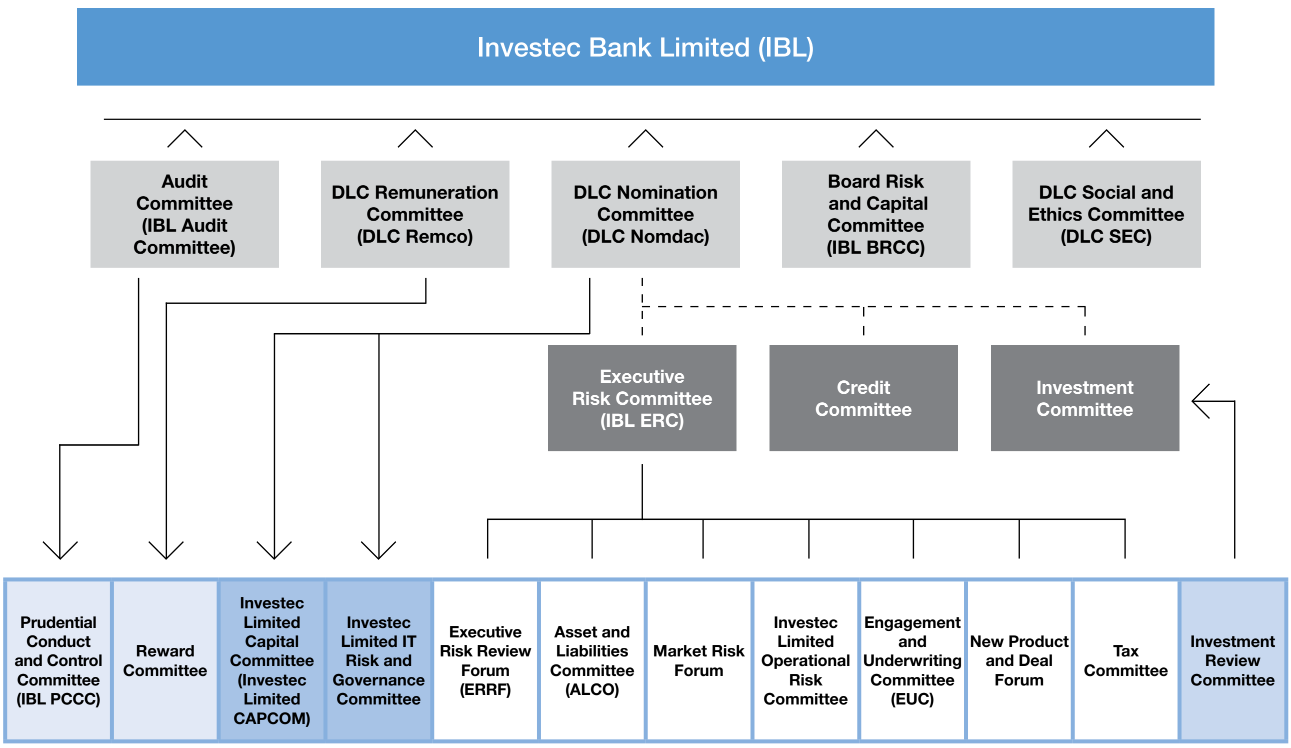
An overview of our principal risks

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

These principal risks have been highlighted on page 13 of the Investec Bank Limited group and company annual financial statements 2019.

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

Investec Bank Limited board and committee structure for the year ended 31 March 2019



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.

Credit and counterparty risk management

Credit and counterparty risk description

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

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

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

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

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

Credit and counterparty risk governance structure

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

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk. The scope of these forums and committees have been adjusted where necessary to reflect changes to governance processes arising from IFRS 9 implementation:

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

Credit and counterparty risk appetite

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

There is a preference for primary exposure in the bank's main operating geographies (i.e. Southern Africa). Our assessment of our clients and counterparties includes consideration of their character, integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates should demonstrate scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow. Direct exposures to cyclical industries and start-up ventures are generally avoided.

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

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

Concentration risk

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

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

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

Country risk

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

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

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

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

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

Sustainability considerations

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

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

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

Stress testing and portfolio management

The bank has embedded its stress testing framework which is a repeatable stress testing process, designed to identify and regularly test the bank's key 'vulnerabilities under stress', as explained in page 21. The bank also performs *ad hoc* stress tests, which by their nature need to be completed on request and in response to emerging risk issues.

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

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our group credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets at amortised cost and at fair value through other comprehensive income (FVOCI), in accordance with IFRS 9, have been developed as described on the next page:

Definition of default

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

Stage 1

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

Stage 2

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

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

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

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

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

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

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. As required, under IFRS 9, the group assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or the client is in receivership. When a client is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3. Loans which are more than 90 days past due are considered to be in default.

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

Write-offs

The bank's policy on the timing of the write-off of financial assets has not significantly changed on the adoption of IFRS 9. A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is considered on a case by case basis. Similarly, the treatment and recognition of recoveries is unaffected by the implementation of IFRS 9. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Internal credit rating models and ECL methodology

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

Further information on internal credit ratings is provided on page 35.

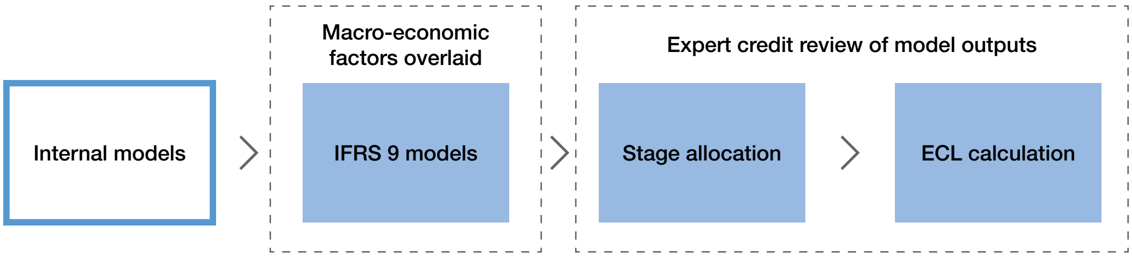
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

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

Process to determine ECL



ECLs are calculated using three main components:

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

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

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

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

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

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

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

Forward-looking macro-economic scenarios

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

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

For the bank, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two upside cases and a two downside cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers. Management's view of the most likely outcome is that a sedate pace of global monetary policy normalisation will occur, with a prolonged, severe global risk-off environment through the period avoided.

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

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

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

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

Macro-economic scenarios

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

Macro-economic sensitivities

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

Management and measurement of credit and counterparty risk

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

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

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

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

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives and boards through IBL BRCC and DLC board. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction. Credit policies have been updated and amended to include changes to reflect the implementation of IFRS 9.

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

Credit and counterparty risk – nature of activities

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

- **Core loans and advance:** The majority of credit and counterparty risk is through core loans and advances, which account for the material ECL allowances across our portfolio, which are detailed on pages 32 to 39.
- **Treasury function:** There are also certain exposures, outside of core loans and advances where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally and are typically investment grade rated.

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

- **Customer trading activities to facilitate hedging client risk positions:** our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked to market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default.
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK and European residential mortgages. The bonds are typically highly rated (single 'A' and above), which benefit from a high-level of credit subordination and can withstand a significant level of portfolio default.

Credit risk mitigation

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

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

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

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

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

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

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

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

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

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

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

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

Further information on credit derivatives is provided on page 48.

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

Credit and counterparty risk year in review

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

Underlying core assets continue to perform well. There was growth in core loans of 6.9% to R269.4 billion (1 April 2018: R251.9 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

We have observed a small increase in our Stage 2 and Stage 3 exposures. Stage 2 exposure that amounted to R10.8 billion or 4.0% of gross core loans and advances subject to ECL as at 31 March 2019 (1 April 2018: R9.3 billion or 3.7%). Stage 3 exposure amounted to R3.6 billion or 1.3% of gross core loans and advances subject to ECL as at 31 March 2019 (1 April 2018: R2.9 billion or 1.1%). The credit loss ratio improved to 0.27% (2018: 0.28%) remaining at the lower end of its long term average range.

Further information is provided in the financial review on pages 15 to 18 of the Investec Bank Limited group and company annual financial statements 2019.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled R508.9 billion at 31 March 2019. Cash and near cash balances amount to R118.3 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks non-sovereign and non-bank cash placements and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 93.5% of overall ECLs.

An analysis of gross credit and counterparty exposures

R'million	31 March 2019	1 April 2018
Cash and balances at central banks	10 062	9 165
Loans and advances to banks	19 904	17 265
Non-sovereign and non-bank cash placements	12 208	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	20 480
Sovereign debt securities	60 898	62 365
Bank debt securities	12 529	8 036
Other debt securities	13 559	10 361
Derivative financial instruments	5 521	6 858
Securities arising from trading activities	4 840	698
Loans and advances to customers	264 397	247 128
Own originated loans and advances to customers securitised	7 677	6 836
Other loans and advances	355	290
Other assets	2 822	3 364
Total on-balance sheet exposures	**433 324**	**402 839**
Guarantees	11 955	10 588
Committed facilities related to loans and advances to customers	55 970	47 531
Contingent liabilities, letters of credit and other	7 740	7 076
Total off-balance sheet exposures	**75 665**	**65 195**
Total gross credit and counterparty exposures	**508 989**	**468 034**

A further analysis of gross credit and counterparty exposures

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

At 31 March 2019 **R'million**	Total gross credit and counterparty exposure	*of which FVPL*	*of which Amortised cost and FVOCI*	ECLs^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	10 062	–	10 062	(8)	236	10 290
Loans and advances to banks	19 904	–	19 904	(1)	–	19 903
Non-sovereign and non-bank cash placements	12 208	611	11 597	(16)	–	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	9 870	8 682	–	–	18 552
Sovereign debt securities	60 898	9 053	51 845	(23)	–	60 875
Bank debt securities	12 529	277	12 252	(7)	–	12 522
Other debt securities	13 559	2 474	11 085	(11)	–	13 548
Derivative financial instruments	5 521	5 521	–	–	2 179	7 700
Securities arising from trading activities	4 840	4 840	–	–	219	5 059
Investment portfolio	–	–	–	–	7 664#	7 664
Loans and advances to customers	264 397	16 036	248 361	(2 660)	–	261 737
Own originated loans and advances to customers securitised	7 677	–	7 677	(10)	–	7 667
Other loans and advances	355	–	355	(26)	–	329
Other securitised assets	–	–	–	–	232*	232
Interest in associated undertakings	–	–	–	–	6 251	6 251
Deferred taxation assets	–	–	–	–	1 514	1 514
Other assets	2 822	–	2 822	(90)	5 505**	8 237
Property and equipment	–	–	–	–	2 563	2 563
Investment properties	–	–	–	–	1	1
Goodwill	–	–	–	–	171	171
Intangible assets	–	–	–	–	418	418
Loans to group companies	–	–	–	–	18 151	18 151
Total on-balance sheet exposures	**433 324**	**48 682**	**384 642**	**(2 852)**	**45 104**	**475 576**
Guarantees	11 955	–	11 955	(6)	1 066	13 015
Committed facilities related to loans and advances to customers	55 970	35	55 935	(33)	–	55 937
Contingent liabilities, letters of credit and other	7 740	2 604	5 136	–	14 375	22 115
Total off-balance sheet exposures	**75 665**	**2 639**	**73 026**	**(39)**	**15 441**	**91 067**
Total exposures	**508 989**	**51 321**	**457 668**	**(2 891)**	**60 545**	**566 643**

^ *ECLs include R27 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. This will result in minor differences between certain balance sheet lines reported above (largely sovereign debt securities) and the statutory balance sheet.*
# *Largely relates to exposures that are classified as equity risk in the banking book.*
* *Largely cash in the securitised vehicles.*
** *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

A further analysis of gross credit and counterparty exposures *(continued)*

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

At 1 April 2018 R'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which Amortised cost and FVOCI*	ECLs^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	9 165	–	9 165	(7)	22	9 180
Loans and advances to banks	17 265	–	17 265	(2)	–	17 263
Non-sovereign and non-bank cash placements	9 993	574	9 419	(21)	–	9 972
Reverse repurchase agreements and cash collateral on securities borrowed	20 480	9 205	11 275	–	–	20 480
Sovereign debt securities	62 365	11 704	50 661	(22)	–	62 343
Bank debt securities	8 036	298	7 738	(10)	–	8 026
Other debt securities	10 361	953	9 408	(7)	–	10 354
Derivative financial instruments	6 858	6 858	–	–	5 706	12 564
Securities arising from trading activities	698	698	–	–	177	875
Investment portfolio	–	–	–	–	9 124#	9 124
Loans and advances to customers	247 128	19 254	227 874	(1 966)	–	245 162
Own originated loans and advances to customers securitised	6 836	–	6 836	(10)	–	6 826
Other loans and advances	290	–	290	(25)	–	265
Other securitised assets	–	–	–	–	241*	241
Interest in associated undertakings	–	–	–	–	6 288	6 288
Deferred taxation assets	–	–	–	–	933	933
Other assets	3 364	–	3 364	(67)	3 376**	6 673
Property and equipment	–	–	–	–	2 494	2 494
Investment properties	–	–	–	–	1	1
Goodwill	–	–	–	–	171	171
Intangible assets	–	–	–	–	412	412
Loans to group companies	–	–	–	–	13 499	13 499
Total on-balance sheet exposures	**402 839**	**49 544**	**353 295**	**(2 137)**	**42 444**	**443 146**
Guarantees	10 588	–	10 588	(5)	1 102	11 685
Committed facilities related to loans and advances to customers	47 531	–	47 531	(25)	–	47 506
Contingent liabilities, letters of credit and other	7 076	1 421	5 655	–	18 732	25 808
Total off-balance sheet exposures	**65 195**	**1 421**	**63 774**	**(30)**	**19 834**	**84 999**
Total exposures	**468 034**	**50 965**	**417 069**	**(2 167)**	**62 278**	**528 145**

^ *ECLs include R29 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. This will result in minor differences between certain balance sheet lines reported above (largely sovereign debt securities) and the statutory balance sheet.*
# *Largely relates to exposures that are classified as equity risk in the banking book.*
* *Largely cash in the securitised vehicles.*
** *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit counterparty exposures by residual contractual maturity

At 31 March 2019 **R'million**	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	**Total**
Cash and balances at central banks	10 062	–	–	–	–	–	10 062
Loans and advances to banks	19 885	–	–	–	19	–	19 904
Non-sovereign and non-bank cash placements	12 208	–	–	–	–	–	12 208
Reverse repurchase agreements and cash collateral on securities borrowed	16 189	322	250	777	1 014	–	18 552
Sovereign debt securities	12 728	15 094	10 190	8 607	9 157	5 122	60 898
Bank debt securities	2 335	387	217	4 301	5 246	43	12 529
Other debt securities	388	2	1 045	8 740	2 180	1 204	13 559
Derivative financial instruments	1 561	862	1 635	1 270	167	26	5 521
Securities arising from trading activities	–	1	30	204	63	4 542	4 840
Loans and advances to customers	27 485	19 024	27 443	143 858	31 257	15 330	264 397
Own originated loans and advances to customers securitised	–	7	–	33	648	6 989	7 677
Other loans and advances	355	–	–	–	–	–	355
Other assets	2 822	–	–	–	–	–	2 822
Total on-balance sheet exposures	**106 018**	**35 699**	**40 810**	**167 790**	**49 751**	**33 256**	**433 324**
Guarantees	1 153	1 455	4 418	4 340	3	586	11 955
Committed facilities related to loans and advances to customers	16 679	1 034	2 129	13 868	3 214	19 046	55 970
Contingent liabilities, letters of credit and other	690	339	702	4 496	205	1 308	7 740
Total off-balance sheet exposures	**18 522**	**2 828**	**7 249**	**22 704**	**3 422**	**20 940**	**75 665**
Total gross credit and counterparty exposures	**124 540**	**38 527**	**48 059**	**190 494**	**53 173**	**54 196**	**508 989**

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Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2019 **R'million**	High net worth and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
Cash and balances at central banks	–	–	–	–	10 062	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	1 267	–	41	1 567
Reverse repurchase agreements and cash collateral on securities borrowed	524	–	–	–	–	–
Sovereign debt securities	–	–	–	–	60 898	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	2 625	–	881
Derivative financial instruments	–	–	56	853	9	48
Securities arising from trading activities	–	–	–	80	4 695	–
Loans and advances to customers	130 519	46 662	2 878	7 670	3 396	10 015
Own originated loans and advances to customers securitised	7 677	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–
Other assets	–	–	16	–	–	52
Total on-balance sheet exposures	**138 720**	**46 662**	**4 217**	**11 228**	**79 101**	**12 563**
Guarantees	4 040	979	–	1 745	1	946
Committed facilities related to loans and advances to customers	34 305	4 225	1 741	673	571	1 569
Contingent liabilities, letters of credit and other	3 171	1 727	1	434	1 157	13
Total off-balance sheet exposures	**41 516**	**6 931**	**1 742**	**2 852**	**1 729**	**2 528**
Total gross credit and counterparty exposures	**180 236**	**53 593**	**5 959**	**14 080**	**80 830**	**15 091**

	Finance and insurance	Retailers and whole-salers	Manufac-turing and commerce	Construc-tion	Corporate commer-cial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	**Total**
	–	–	–	–	–	–	–	–	–	–	10 062
	19 904	–	–	–	–	–	–	–	–	–	19 904
	1 865	1 513	2 613	338	479	–	616	27	586	1 296	12 208
	17 219	–	–	–	42	–	–	60	707	–	18 552
	–	–	–	–	–	–	–	–	–	–	60 898
	12 529	–	–	–	–	–	–	–	–	–	12 529
	4 527	–	1 514	–	1 595	–	146	–	837	1 434	13 559
	3 815	7	106	–	401	–	160	19	15	32	5 521
	1	–	–	–	–	–	–	–	64	–	4 840
	20 783	3 809	7 141	1 264	9 022	–	3 561	2 988	7 781	6 908	264 397
	–	–	–	–	–	–	–	–	–	–	7 677
	–	–	109	–	–	246	–	–	–	–	355
	–	2 117	485	46	–	–	9	63	2	32	2 822
	80 643	**7 446**	**11 968**	**1 648**	**11 539**	**246**	**4 492**	**3 157**	**9 992**	**9 702**	**433 324**
	666	1 067	1 380	230	56	–	412	22	124	287	11 955
	4 609	1 014	1 031	50	1 276	–	1 495	1 016	1 874	521	55 970
	50	118	28	17	10	–	1	–	–	1 013	7 740
	5 325	**2 199**	**2 439**	**297**	**1 342**	**–**	**1 908**	**1 038**	**1 998**	**1 821**	**75 665**
	85 968	**9 645**	**14 407**	**1 945**	**12 881**	**246**	**6 400**	**4 195**	**11 990**	**11 523**	**508 989**

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

At 1 April 2018 R'million	High net worth and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
Cash and balances at central banks	–	–	–	–	9 165	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	18	–	–	1 843
Reverse repurchase agreements and cash collateral on securities borrowed	658	–	–	–	–	89
Sovereign debt securities	–	–	–	–	62 365	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	1 312	–
Derivative financial instruments	–	–	16	1 121		28
Securities arising from trading activities	–	–	–	–	586	–
Loans and advances to customers	124 415	40 616	2 926	6 301	5 839	11 875
Own originated loans and advances to customers securitised	6 836	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–
Other assets	–	–	–	–	–	9
Total on-balance sheet exposures	**131 909**	**40 616**	**2 960**	**7 422**	**79 267**	**13 844**
Guarantees	4 431	937	–	946	1	1 117
Committed facilities related to loans and advances to customers	29 563	2 932	788	569	314	781
Contingent liabilities, letters of credit and other	4 066	1 376	–	–	711	6
Total off-balance sheet exposures	**38 060**	**5 245**	**788**	**1 515**	**1 026**	**1 904**
Total gross credit and counterparty exposures	**169 969**	**45 861**	**3 748**	**8 937**	**80 293**	**15 748**

Finance and insurance	Retailers and whole-salers	Manufac-turing and commerce	Construc-tion	Corporate commer-cial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	**Total**
–	–	–	–	–	–	–	–	–	–	9 165
17 265	–	–	–	–	–	–	–	–	–	17 265
2 203	1 728	2 048	504	201	–	396	30	155	867	9 993
18 765	–	934	–	–	–	–	–	34	–	20 480
–	–	–	–	–	–	–	–	–	–	62 365
8 036	–	–	–	–	–	–	–	–	–	8 036
3 170	–	1 993	–	955	–	1 917	–	–	1 014	10 361
4 722	198	123	–	387	–	135	42	59	27	6 858
–	–	–	–	–	–	–	–	–	112	698
18 221	4 879	7 431	1 855	6 812	–	2 815	3 017	4 552	5 574	247 128
–	–	–	–	–	–	–	–	–	–	6 836
–	–	–	–	–	290	–	–	–	–	290
385	2 004	456	136	–	–	8	72	1	293	3 364
72 767	**8 809**	**12 985**	**2 495**	**8 355**	**290**	**5 271**	**3 161**	**4 801**	**7 887**	**402 839**
148	81	1 059	128	466	–	1 016	145	52	61	10 588
3 901	1 156	934	313	176	–	2 251	55	1 545	2 253	47 531
–	188	18	–	–	–	–	–	–	711	7 076
4 049	**1 425**	**2 011**	**441**	**642**	**–**	**3 267**	**200**	**1 597**	**3 025**	**65 195**
76 816	**10 234**	**14 996**	**2 936**	**8 997**	**290**	**8 538**	**3 361**	**6 398**	**10 912**	**468 034**

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

Composition of core loans and advances

R'million	31 March 2019	1 April 2018
Loans and advances per the balance sheet	261 737	245 162
Add: own originated loans and advances per the balance sheet	7 667	6 826
Net core loans and advances	**269 404**	**251 988**
Of which subject to ECL*	267 452	249 984
Net core loans and advances at amortised cost	253 396	232 734
Net fixed rate loans which have passed the SPPI test designated at FVPL (for which management calculates ECL)^	14 056	17 250
Of which FVPL (excluding fixed rate loans above)	1 952	2 004
Add: ECLs	2 670	1 976
Gross core loans and advances	**272 074**	**253 964**
Of which subject to ECL*	270 122	251 960
Of which FVPL (excluding fixed rate loans above)	1 952	2 004

^ *These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost. The drawn exposure falls predominantly into Stage 1 (consistent throughout the period) R14 billion as at 31 March 2019 (1 April 2018: R17 billion). The related ECL on the portfolio is R29 million (1 April 2018: R54 million).*

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

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

Stage 1: 94.7% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12–month expected credit loss. Coverage for these performing, non–deteriorated assets is 0.2%.

Stage 2: 4.0% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets require a lifetime expected loss to be held resulting in an increase in coverage to 4.1%. Only R354 million or 0.1% of gross core loans shown in Stage 2 are greater than 30 days past due. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 1.3% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. Coverage ratio totals 47.2% and the remaining net exposure is considered to be well covered by collateral. Stage 3 ECL is predominantly driven by specific impairments raised against the non–performing loan portfolio.

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

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

R'million	31 March 2019	1 April 2018
Gross core loans and advances subject to ECL	**270 122**	**251 960**
Stage 1	255 769	239 753
Stage 2	10 768	9 346
of which past due greater than 30 days	354	313
Stage 3	3 585	2 861
Gross core loans and advances subject to ECL (%)		
Stage 1	94.7%	95.2%
Stage 2	4.0%	3.7%
Stage 3	1.3%	1.1%

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

R'million	31 March 2019	31 March 2018^
ECL impairment charges on core loans and advances	(699)	n/a
Average gross core loans and advances subject to ECL	261 041	n/a
Income statement impairment charge on loans and advances	n/a	(692)
Average gross core loans and advances	n/a	245 304
Credit loss ratio (%)	**0.27%**	**0.28%**

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

R'million	31 March 2019	1 April 2018
ECL	**(2 670)**	**(1 976)**
Stage 1	(538)	(592)
Stage 2	(441)	(269)
Stage 3	(1 691)	(1 115)
ECL coverage ratio (%)		
Stage 1	0.2%	0.2%
Stage 2	4.1%	2.9%
Stage 3	47.2%	39.0%

A further analysis of Stage 3 gross core loans and advances

R'million	31 March 2019	1 April 2018
Stage 3 net of ECLs	1 894	1 746
Aggregate collateral and other credit enhancements on Stage 3	3 055	3 547
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	1.3%	1.1%
Total ECL impairments as a % of Stage 3 exposure	74.5%	69.1%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.7%	0.7%

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

The table below indicates underlying movements in gross core loans and advances subject to ECL from 1 April 2018 to 31 March 2019. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell–downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. Foreign exchange and other category largely comprises impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 1 April 2018. Further analysis as at 31 March 2019 of gross core loans and advances to customers subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

1 April 2018	**239 753**	**(592)**	**9 346**	**(269)**	**2 861**	**(1 115)**	**251 960**	**(1 976)**
Transfer from Stage 1	(6 940)	349	5 986	(101)	954	(248)	–	–
Transfer from Stage 2	4 716	(116)	(5 658)	156	942	(40)	–	–
Transfer from Stage 3	412	(66)	26	(5)	(438)	71	–	–
New lending net of repayments (includes assets written off)	16 680	(185)	768	(137)	(709)	98	16 739	(224)
ECL remeasurement arising from transfer of stage	–	125	–	(109)	–	(512)	–	(496)
Changes to risk parameters and models	–	(24)	–	24	–	–	–	–
Foreign exchange and other	1 148	(29)	300	–	(25)	55	1 423	26
31 March 2019	**255 769**	**(538)**	**10 768**	**(441)**	**3 585**	**(1 691)**	**270 122**	**(2 670)**

An analysis of credit quality by internal rating grade

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

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

The internal credit rating distribution below is based on the 12–month PD at 31 March 2019 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

R'million	IB01 – IB12	IB13 – IB19	IB20 – IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**153 269**	**93 665**	**19 603**	**3 585**	**270 122**
Stage 1	150 126	88 014	17 629	–	255 769
Stage 2	3 143	5 651	1 974	–	10 768
Stage 3	–	–	–	3 585	3 585
ECL	**(92)**	**(703)**	**(184)**	**(1 691)**	**(2 670)**
Stage 1	(59)	(358)	(121)	–	(538)
Stage 2	(33)	(345)	(63)	–	(441)
Stage 3	–	–	–	(1 691)	(1 691)
Coverage ratio (%)	**0.1%**	**0.8%**	**0.9%**	**47.2%**	**1.0%**

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

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

Year in review

The majority of the property assets are commercial investment properties and are located in South Africa. This portfolio continues to grow as a proportion of our net core loans exposures and totals R37.1 billion or 13.8% at 31 March 2019. Loan-to-value remains conservative and transactions are generally supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

Lending collateralised by property

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2019										
Commercial real estate	**39 682**	**(63)**	**2 423**	**(25)**	**907**	**(320)**	**43 012**	**(408)**	**–**	**43 012**
Commercial real estate – investment	35 494	(49)	1 132	(17)	812	(225)	37 438	(291)	–	37 438
Commercial real estate – development	3 604	(11)	1 288	(8)	–	–	4 892	(19)	–	4 892
Commercial vacant land and planning	584	(3)	3	–	95	(95)	682	(98)	–	682
Residential real estate	**2 859**	**(44)**	**531**	**(11)**	**260**	**(150)**	**3 650**	**(205)**	**–**	**3 650**
Residential real estate – investment	–	–	–	–	–	–	–	–	–	–
Residential real estate – development	2 266	(20)	482	(9)	208	(105)	2 956	(134)	–	2 956
Residential vacant land and planning	593	(24)	49	(2)	52	(45)	694	(71)	–	694
Total lending collateralised by property	**42 541**	**(107)**	**2 954**	**(36)**	**1 167**	**(470)**	**46 662**	**(613)**	**–**	**46 662**
At 1 April 2018										
Commercial real estate	**34 156**	**(55)**	**1 669**	**(9)**	**695**	**(272)**	**36 520**	**(336)**	**252**	**36 772**
Commercial real estate – investment	30 563	(43)	1 452	(9)	673	(256)	32 688	(308)	252	32 940
Commercial real estate – development	2 905	(7)	130	–	8	(2)	3 043	(9)	–	3 043
Commercial vacant land and planning	688	(5)	87	–	14	(14)	789	(19)	–	789
Residential real estate	**3 452**	**(54)**	**222**	**(8)**	**170**	**(79)**	**3 844**	**(141)**	**–**	**3 844**
Residential real estate – investment	–	–	–	–	–	–	–	–	–	–
Residential real estate – development	2 819	(35)	70	–	146	(58)	3 035	(93)	–	3 035
Residential vacant land and planning	633	(19)	152	(8)	24	(21)	809	(48)	–	809
Total lending collateralised by property	**37 608**	**(109)**	**1 891**	**(17)**	**865**	**(351)**	**40 364**	**(477)**	**252**	**40 616**

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

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

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

Credit risk arises from the following activities:

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

Year in review

We have seen continued growth in our private client portfolio and client base as we actively focus on our business strategy to increase our positioning in this space. Our high net worth client portfolio and residential mortgage book grew by 5.1% to R137.2 billion at 31 March 2019. Growth in both of these areas has been achieved with strong adherence to our conservative lending appetite.

High net worth and other private client lending

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2019										
Mortgages	70 282	(86)	2 333	(61)	1 098	(245)	73 713	(392)	–	73 713
High net worth and specialised lending	63 272	(134)	671	(23)	540	(456)	64 483	(613)	–	64 483
Total high net worth and other private client lending	**133 554**	**(220)**	**3 004**	**(84)**	**1 638**	**(701)**	**138 196**	**(1 005)**	**–**	**138 196**
At 1 April 2018										
Mortgages	65 740	(44)	655	(18)	874	(188)	67 269	(250)	–	67 269
High net worth and specialised lending	62 705	(152)	783	(21)	494	(264)	63 982	(437)	–	63 982
Total high net worth and other private client lending	**128 445**	**(196)**	**1 438**	**(39)**	**1 368**	**(452)**	**131 251**	**(687)**	**–**	**131 251**

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

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

The credit risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where they are deemed appropriate.

The bank has limited appetite for unsecured credit risk and the facilities are typically secured by the assets of the borrower as well as shares of the borrower.

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

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

Year in review

The corporate book increased by 6.0% to R86.2 billion as at 31 March 2019 as a result of increased lending activity by our mid-to-large corporate clients across a number of sectors. Our book remains well diversified across sectors and our SOEs exposure is predominantly backed by government support.

Corporate and other lending

R'million	Gross core loans and advances at amortised cost and FVPL (subject to ECL) – Stage 1 – Gross exposure	Stage 1 – ECL	Stage 2 – Gross exposure	Stage 2 – ECL	Stage 3 – Gross exposure	Stage 3 – ECL	Total – Gross exposure	Total – ECL	Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
At 31 March 2019										
Acquisition finance	12 889	(34)	276	(2)	29	(1)	13 194	(37)	–	13 194
Asset-based lending	5 628	(26)	53	(2)	283	(188)	5 964	(216)	–	5 964
Fund finance	5 090	(8)	–	–	–	–	5 090	(8)	–	5 090
Other corporate and financial institutions and governments	46 592	(128)	2 671	(305)	460	(331)	49 723	(764)	1 952	51 675
Asset finance	3 844	(5)	18	(1)	8	–	3 870	(6)	–	3 870
Small ticket asset finance	1 962	(1)	18	(1)	8	–	1 988	(2)	–	1 988
Large ticket asset finance	1 882	(4)	–	–	–	–	1 882	(4)	–	1 882
Project finance	5 076	(9)	1 792	(11)	–	–	6 868	(20)	–	6 868
Resource finance	555	(1)	–	–	–	–	555	(1)	–	555
Total corporate and other lending	**79 674**	**(211)**	**4 810**	**(321)**	**780**	**(520)**	**85 264**	**(1 052)**	**1 952**	**87 216**
At 1 April 2018										
Acquisition finance	12 670	(75)	1 216	(21)	97	(2)	13 983	(98)	–	13 983
Asset-based lending	4 055	(41)	515	(10)	236	(148)	4 806	(199)	604	5 410
Fund finance	4 909	(5)	–	–	–	–	4 909	(5)	–	4 909
Other corporate and financial institutions and governments	43 347	(146)	3 082	(165)	156	(73)	46 585	(384)	1 148	47 733
Asset finance	2 596	(8)	57	(6)	24	–	2 677	(14)	–	2 677
Small ticket asset finance	2 184	(5)	41	(6)	–	–	2 225	(11)	–	2 225
Large ticket asset finance	412	(3)	16	–	24	–	452	(3)	–	452
Project finance	5 494	(11)	1 147	(11)	–	–	6 641	(22)	–	6 641
Resource finance	629	(1)	–	–	115	(89)	744	(90)	–	744
Total corporate and other lending	**73 700**	**(287)**	**6 017**	**(213)**	**628**	**(312)**	**80 345**	**(812)**	**1 752**	**82 097**

Investment risk in the banking book

Investment risk description

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

- **Principal Investments:** Principal Investments are focused on providing capital to entrepreneurs and management teams to further their growth ambitions as well as leverage third party capital into funds that are relevant to our client base. Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on an IPO, or sale of one of our investments to a listed company. We have limited appetite for listed investments
- **IEP Group:** Investec Bank Limited holds a 45.9% stake alongside third party investors and senior management of the business who hold the remaining 54.1%. The investment in the IEP Group is reflected as an investment in an associate
- **Lending transactions:** The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly in unlisted companies
- **Property activities:** We undertake development, investment and trading opportunities in support of clients to create value and trade for profit within agreed risk parameters.

Management of investment risk

As investment risk arises from a variety of activities conducted by the group, the monitoring and measurement thereof varies across transactions and/or type of activity. Independent credit and investment committees exist in each geography where we assume investment risk.

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

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

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

	Income/(loss) (pre-funding costs)					
For the year to 31 March R'million	Unrealised*	Realised*	Dividends	Other	**Total**	Fair value through equity/OCI
Year to 31 March 2019						
Unlisted investments	(764)	404	106	–	(254)	–
Listed equities	(580)	399	332	–	151	92
Investment and trading properties	–	(1)	–	–	(1)	–
Warrants and profit shares	(18)	221	–	–	203	–
The IEP Group	–	–	–	1 193	1 193	–
Total	**(1 362)**	**1 023**	**438**	**1 193**	**1 292**	**92**
Year to 31 March 2018						
Unlisted investments	(413)	427	109	–	123	(2)
Listed equities	(208)	10	321	–	123	(369)
Investment and trading properties	–	8	–	–	8	–
Warrants, profit shares and other embedded derivatives	(9)	218	–	–	209	–
The IEP Group	–	–	–	766	766	–
Total	**(630)**	**663**	**430**	**766**	**1 229**	**(371)**

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

Summary of investments held and stress testing analyses

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

R'million	**On-balance sheet value of investments 31 March 2019**	**Valuation change stress test 31 March 2019***	On-balance sheet value of investments 1 April 2018	Valuation change stress test 1 April 2018*
Unlisted investments^	3 525	529	3 542	531
Listed equities	4 139	1 035	4 774	1 194
Investment and trading properties	254	49	267	53
Warrants, profit shares and other embedded derivatives	174	61	213	74
The IEP Group^^	6 184	928	6 180	927
Total	**14 276**	**2 602**	**14 976**	**2 779**

^ *Includes fair value loan investments of R1.2 billion as referred to on page 201 of the Investec Bank Limited group and company annual financial statements 2019.*
^^ *As explained on page 40.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:*

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

Stress testing summary

Based on the information at 31 March 2019, as reflected above, we could have a R2.6 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 low, although the probability of listed equities being negatively impacted at the same time is high.

Capital requirements

In terms of Basel III capital requirements for the bank, 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 67 for further detail.

Valuation and accounting methodologies

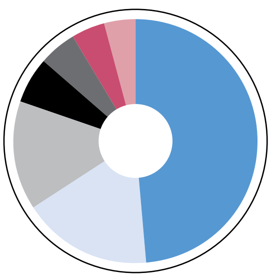
For a description of our valuation principles and methodologies refer to pages 184 and 192 of the Investec Bank Limited group and company annual financial statements 2019 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 0.9% of total assets (excluding assurance assets).

Refer to page 184 of the Investec Bank Limited group and company annual financial statements 2019 for further information.

Additional information

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



31 MARCH 2019
R7 838 million

48.8%	Real estate
17.2%	Finance and insurance
14.4%	Communication
6.1%	Electricity, gas and water (Utility services)
5.0%	Other
4.5%	Manufacturing and commerce
4.0%	Mining and resources

Securitisation/structured credit activities exposures

Overview

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

Refer to page 24 for the balance sheet and credit risk classification.

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

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

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

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

Total assets that have been originated and securitised by the Private Client division amount to R7.7 billion at 31 March 2019 (31 March 2018: R6.8 billion) and consist of residential mortgages. Within these securitisation vehicles loans greater than 90 days in arrears amounted to R31.1 million.

Further details of the various securitisation vehicles are highlighted below:

- Fox Street 1: R0.6 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.7 billion notes of the original R1.5 billion are still in issue. R593 million of the notes are held internally
- Fox Street 3: R1.0 billion notes of the original R2.0 billion are still in issue. R192 million of the notes are held internally
- Fox Street 4: R1.9 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.9 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R1.3 billion notes of the original R1.3 billion are still in issue. R475 million of the notes are held internally.

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

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated UK residential mortgage-backed securities (RMBS), totalling R0.2 billion at 31 March 2019 (1 April 2018: R0.2 billion), unrated South African RMBS totalling R1.1 billion at 31 March 2019 (1 April 2018: R1.0 billion) and unrated South Africa commercial mortgage backed securities (CMBS) totalling R0.3 billion at 31 March 2019 (1 April 2018: Rnil)

Accounting policies

Refer to page 156 and 157 of the Investec Bank Limited group and company annual financial statements 2019.

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 the bank's 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

Nature of exposure/activity	Exposure 31 March 2019 R'million	Exposure 01 April 2018 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	1 633	1 145	Other debt securities	
Rated	167	165		
Unrated	1 466	980		
Loans and advances to customers and third party intermediary platforms (mortgage loans) – (net exposure)	220	265	Other loans and advances	
Private Client division assets – which have been securitised (net exposure)	7 667	6 826	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 gross structured credit exposure

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

Market risk in the trading book

Traded market risk description

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

Traded market risk profile

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

Traded market risk governance structure

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

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

Measurement of traded market risk

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

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

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

Traded market risk management, monitoring and control

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

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

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

Value at Risk

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

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

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

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

	31 March 2019				31 March 2018			
R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
95% (one-day)								
Commodities	0.1	0.1	0.4	–	–	0.1	1.5	–
Equities	3.6	3.4	7.2	1.6	3.9	3.1	7.4	1.4
Foreign exchange	1.4	2.1	6.5	0.9	1.7	2.9	9.1	0.9
Interest rates	1.2	2.1	9.0	0.4	2.4	2.2	4.7	0.3
Consolidated*	**3.8**	**4.5**	**9.7**	**1.5**	**3.2**	**4.6**	**13.3**	**2.1**

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

Expected shortfall

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

95% (one-day) **R'million**	**31 March 2019**	31 March 2018
Commodities	0.2	0.1
Equities	6.9	7.2
Foreign exchange	2.2	3.7
Interest rates	1.7	4.1
Consolidated*	**6.4**	**8.7**

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

Stressed VaR

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

R'million	**31 March 2019 Year end**	31 March 2018 Year end
99% 1-day sVaR	8.6	12.0

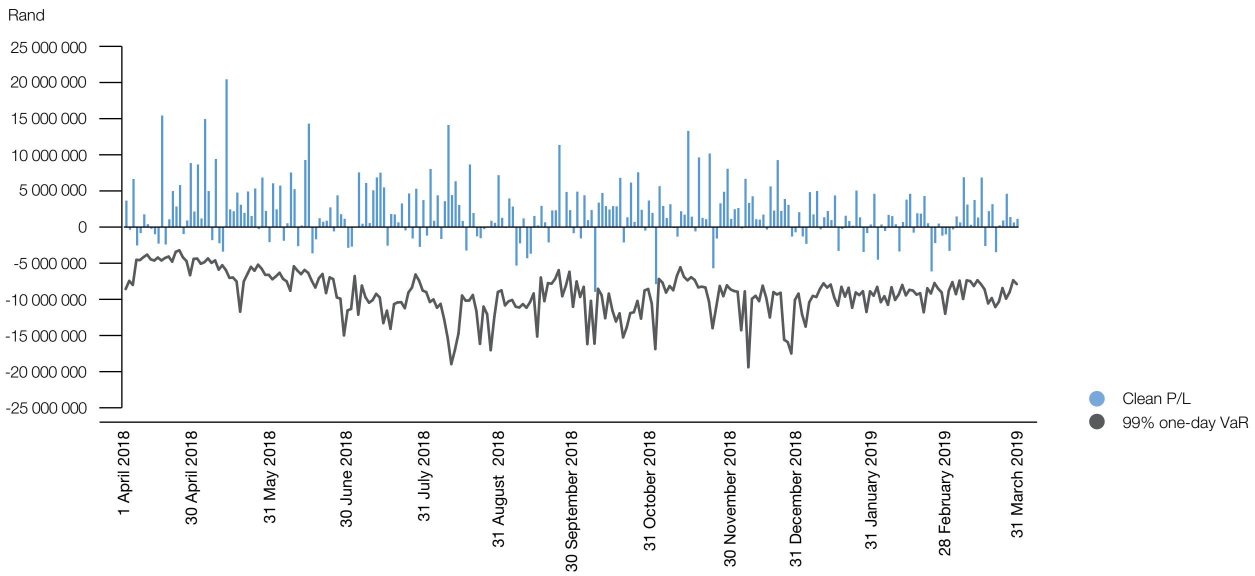
Backtesting

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

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

Average VaR for the year ended March 2019 was lower than the previous year, primarily due to lower VaR utilisation across most desks. The graph below is based on clean profit and loss, which excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions. This backtesting resulted in zero exceptions which is below the expected number of two to three exceptions as implied by the 99% VaR model.

99% one-day VaR backtesting



Stress testing

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

	31 March 2019				
R'million	**Year end**	Average	High	Low	**31 March 2018 Year end**
99% (using 99% EVT)					
Commodities	1.4	1.2	2.8	0.2	0.2
Equities	22.5	20.6	47.9	4.4	13.6
Foreign exchange	8.9	20.2	48.5	3.1	20.1
Interest rates	3.9	11.4	50.8	0.9	13.5
Consolidated*	**17.2**	**25.4**	**48.7**	**5.7**	**29.3**

* *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.*

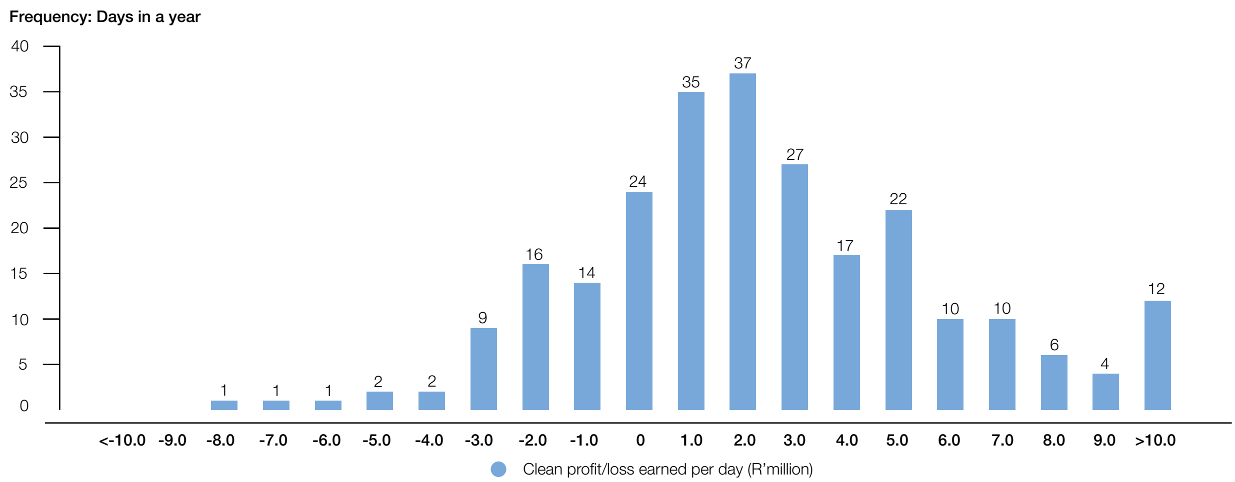
Capital

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

Clean profit and loss histograms

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 180 days out of a total of 250 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2019 was R2.0 million (2018: -R0.7 million).

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



Traded market risk year in review

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

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 199 and 200 of the Investec Bank Limited group and company annual financial statements 2019.

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 bank has established ALCOs within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

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

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

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

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

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

There is a regular audit of the balance sheet risk management function, the frequency of which is determined by the independent audit committees.

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

Liquidity risk

Liquidity risk description

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

Liquidity risk is further broken down into:

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

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the bank 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 bank maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

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

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

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

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

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

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

Funding strategy

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

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

The bank actively participates 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.

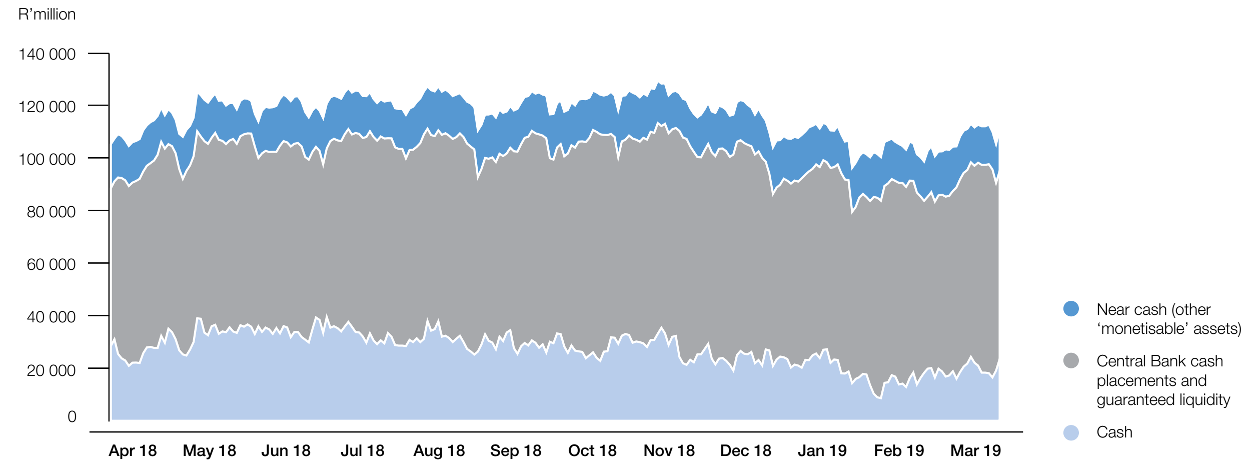
The bank's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the bank's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors,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

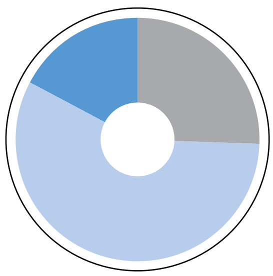
Liquidity buffer

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. The bank remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on overnight interbank deposits to fund term lending.

Investec Limited cash and near cash trend



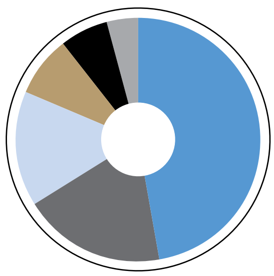
An analysis of cash and near cash at 31 March 2019



R118.4 billion

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

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



R371.8 billion

47.3%	Other financials
19.0%	Individuals
15.3%	Non-financial corporates
8.1%	Banks
6.4%	Public sector
3.9%	Small business

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R118.4 billion at year end

Contingency planning

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

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

Liquidity mismatch

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

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

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

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

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

Contractual liquidity at 31 March 2019

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	26 325	840	370	–	98	–	2 560	30 193
Cash and short-term funds – non-banks	11 580	271	338	–	–	–	3	12 192
Investment/trading assets and statutory liquids	48 474	26 424	10 668	3 271	4 561	11 308	27 493	132 199
Securitised assets	–	–	–	–	–	3 833	4 066	7 899
Advances	4 773	5 942	11 622	12 537	17 574	109 005	100 613	262 066
Other assets	9 387	10 753	(332)	(557)	(451)	(2 911)	12 905	28 794
Assets	**100 539**	**44 230**	**22 666**	**15 251**	**21 782**	**121 235**	**147 640**	**473 343**
Deposits – banks	(366)	–	(1 268)	(501)	(349)	(27 557)	–	(30 041)
Deposits – non-banks	(146 459)^	(20 160)	(58 278)	(31 857)	(42 945)	(39 247)	(2 764)	(341 710)
Negotiable paper	–	(53)	(393)	(523)	(901)	(3 440)	(1 202)	(6 512)
Securitised liabilities	–	–	–	–	–	(859)	(861)	(1 720)
Investment/trading liabilities	(2 076)	(11 335)	(2 340)	(1 290)	(1 494)	(9 853)	(2 411)	(30 799)
Subordinated liabilities	–	(19)	(4)	–	–	(2 894)	(11 001)	(13 918)
Other liabilities	(825)	(141)	(1 261)	(93)	–	(563)	(4 000)	(6 883)
Liabilities	**(149 726)**	**(31 708)**	**(63 544)**	**(34 264)**	**(45 689)**	**(84 413)**	**(22 239)**	**(431 583)**
Total equity	–	–	–	–	–	–	(41 760)	(41 760)
Contractual liquidity gap	**(49 187)**	**12 522**	**(40 878)**	**(19 013)**	**(23 907)**	**36 822**	**83 641**	**–**
Cumulative liquidity gap	(49 187)	(36 665)	(77 543)	(96 556)	(120 463)	(83 641)	–	

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

Behavioural liquidity at 31 March 2019

As discussed on page 51.

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	**40 882**	**2 037**	**2 172**	**(5 168)**	**(6 524)**	**(181 972)**	**148 573**	**–**
Cumulative	40 882	42 919	45 091	39 923	33 399	(148 573)	–	

Regulatory requirements

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

Two minimum standards for funding liquidity were introduced:

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

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

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

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

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

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

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

- The introduction of a committed liquidity facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF is limited to 40% of Net Outflows under the LCR. The bank does not currently make use of the Committed Liquidity Facility offered by the South African Prudential Authority

- A change to the available stable funding factor as applied to less than six month's 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 month's term deposits required by local banks to meet the NSFR, and will therefore mitigate any increases in the overall cost of funds.

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

Balance sheet risk year in review

- The bank maintained its strong liquidity position and continued to hold high levels of surplus liquid assets

- Our liquidity risk management process remains robust and comprehensive.

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

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

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

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

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

Non-trading interest rate risk

Non-trading interest rate risk description

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

Sources of interest rate risk in the banking book include:

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

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

Measurement and management of non-trading interest rate risk

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

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

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

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering (i) interest rate expectations and perceived risks to the central view (ii) standard shocks to levels and shapes of interest rates and yield curves (iii) historically-based yield curve changes.

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

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

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

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

The bank 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 bank 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 at 31 March 2019

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

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	16 907	–	–	–	–	11 504	28 411
Cash and short-term funds – non-banks	12 183	–	–	–	–	9	12 192
Investment/trading assets and statutory liquids	46 766	16 446	10 842	11 403	11 547	12 913	109 917
Securitised assets	7 666	–	–	–	–	233	7 899
Advances	251 156	3 287	765	4 679	1 150	856	261 893
Other assets	15 351	(16)	(5 221)	(328)	(219)	12 202	21 769
Assets	**350 029**	**19 717**	**6 386**	**15 754**	**12 478**	**37 717**	**442 081**
Deposits - banks	(29 271)	(275)	(406)	(17)	–	(72)	(30 041)
Deposits - non-banks	(266 837)	(24 953)	(33 360)	(10 477)	(727)	(4 790)	(341 144)
Negotiable paper	(1 862)	(355)	(789)	(570)	–	(80)	(3 656)
Securitised liabilities	(1 720)	–	–	–	–	–	(1 720)
Investment/trading liabilities	(1 233)	–	–	(197)	–	(553)	(1 983)
Subordinated liabilities	(13 474)	–	–	–	(441)	(3)	(13 918)
Other liabilities	–	–	–	–	–	(5 195)	(5 195)
Liabilities	**(314 397)**	**(25 583)**	**(34 555)**	**(11 261)**	**(1 168)**	**(10 693)**	**(397 657)**
Total equity	(953)	–	–	–	–	(40 807)	(41 760)
Balance sheet	**34 679**	**(5 866)**	**(28 169)**	**4 493**	**11 310**	**(13 783)**	**2 664**
Off balance sheet	(27 054)	16 399	23 713	(9 923)	(5 799)	–	(2 664)
Repricing gap	**7 625**	**10 533**	**(4 456)**	**(5 430)**	**5 511**	**(13 783)**	**–**
Cumulative repricing gap	7 625	18 158	13 702	8 272	13 783	–	

Economic value sensitivity at 31 March 2019

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

R'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	(648.2)	(0.4)	19.1	(0.3)	0.1	–	**(382.7)**
200bps up	592.6	0.7	(11.6)	(2.8)	0.1	–	**394.5**

Liquidity coverage ratio (LCR)

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

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

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

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

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

Investec Bank Limited (IBL) Bank Solo

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

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

The composition of HQLA:

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

Changes since December 2018 quarter-end:

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

Investec Bank Limited Consolidated group

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

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

Net stable funding ratio (NSFR)

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

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

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

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

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

Investec Bank Limited Bank (IBL) Solo

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

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

Investec Bank Limited Consolidated group

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

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

Operational risk

Operational risk description

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

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

Risk appetite

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

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

Management and measurement of operational risk

Regulatory capital

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

As part of the Basel III Reforms, The Basel Committee has announced revisions to the calculations of capital requirements for operational risk. A single standardised approach will replace all existing approaches for the calculation of regulatory capital from January 2022.

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

Operational risk management framework and governance

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

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

The levels of defence model is applied as follows:

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

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

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

Operational risk practices consist of the following:

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

Operational risk year in review

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

Operational risk events

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

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

Looking forward

Key operational risk considerations for the year ahead

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Business resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintain business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establish fit-for-purpose resilience strategies including, but not limited to, relocating impacted businesses to alternate processing sites, implementation of high availability technology solutions, and ensuring physical resilience for critical infrastructure components • Conduct validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhance the bank's global resilience capability through a team of dedicated resources and robust governance processes • Participate in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks
Cybesecurity	
Risk associated with cyberattacks which can interrupt client services or business processes, or result in financial losses	• Maintain a risk-based strategy to ensure the bank is adequately protected against advanced cyberattacks, incorporating prediction, prevention, detection and response capabilities • Manage an adaptive cybesecurity architecture, ensuring consistent coverage of baseline cyber controls, with continual monitoring for visibility and proactive response to evolving cyber threats • Enhance cyber resilience by aligning security incident response with crisis management and business resilience processes • Validate the effectiveness of cyber controls through regular penetration testing and targeted attack simulations, run both internally and in conjunction with independent external specialists • Embed secure software development and testing practices to ensure IT systems are secure by design • Provide ongoing security training to staff to ensure high levels of awareness and vigilance
Anti-Money Laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Continuous enhancement of AML and sanctions control systems across the bank • Refinement of risk management methodology with the aim to risk rate clients better allowing more effective resource allocation based on the risk posed to the bank • Further enhancing the transaction monitoring environments with an aim to detect AML related activities • Continuous monitoring of adherence to AML policies and legislative requirements • AML awareness remains a key component of the control environment. The awareness is supported by mandatory training for all staff and specialist training for AML roles • Participate at industry body levels to manage legislative requirements through engagement with regulators
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhance the bank's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintain an independent integrity line to ensure staff is able to report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continue to focus on training staff, educating clients and intermediaries on fraud prevention and detection • Participate in industry working groups to gain an understanding of current trends in order to enhance the control environment

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Information security	
Risk associated with the compromise of information assets which can impact their confidentiality, integrity, or availability	• Identify high-value information assets based on confidentiality and business criticality • Manage role-based access to business systems and data, in support of least-privilege and segregation of duty principles • Implement strong security controls to protect information against unauthorised access or disclosure, and reduce opportunity for data compromise • Maintain safeguards to protect confidential physical documents and facilitate secure destruction • Develop mechanisms to monitor for and respond to data breaches in line with relevant privacy laws • Protect and monitor internal and external information flows to ensure data completeness and integrity • Develop data retention and destruction processes based on business needs, whilst meeting applicable regulatory compliance obligations
Outsourcing and third party	
Risk associated with the reliance on, and use of a service provider to provide services to the group	• Governance structures are in place to approve outsource and third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of the outsource and third party providers • Continue to strengthen governance processes and relevant policies relating to how we identify, assess, mitigate and manage risks across the range of outsource and third party providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to implement adequate and effective controls including the management of change • Address human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group compliance and group legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Align regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures • Manage business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments (Refer to the compliance section page 79) • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensure that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk
Technology availability	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Continue to align IT architecture and standards across the bank, to reduce technical complexity and leverage common functions and services • Further enhance IT operational processes, including management of IT changes to minimise adverse impact, and response to IT incidents for swift resolution and root cause analysis • Drive automation to reduce human error whilst enhancing efficiency • Implement strategic infrastructure and application road maps, leveraging new technologies to enhance capacity, scalability, security, and reduce reliance on legacy IT systems • Establish effective, proactive monitoring of the technology environment, providing continual visibility of the health and performance of IT systems and processes • Maintain and test IT resilience capabilities to withstand failure and minimise service disruption

Insurance

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

Recovery and resolution planning

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

The recovery plans for the bank:

- 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
- Analyses the effects of 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
- Analyses the recovery potential as a result of these actions to avoid resolution.

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

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

Reputational and strategic risk

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

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

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

Legal risk management

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

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

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

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

The legal risk policy is implemented through:

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

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of legal risk. The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

Conduct risk

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

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

The bank continues to align its conduct framework to developing legislative requirements and applicable best practice.

Climate related financial disclosures (TCFD)

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

Governance

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

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

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

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

Strategy

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

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

Our strategy is based on the following:

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

Risk management

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

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

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

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

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

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

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

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

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

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

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

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

Metrics and targets

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

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

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

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

Capital management and allocation

Regulatory capital – Investec Bank Limited

Current regulatory framework – Investec Limited

Investec Bank Limited is regulated by the South African Prudential Authority.

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

South Africa has not announced any Counter Cyclical Capital Buffers (CCyB) requirements. The institution specific CCyB requirement, held for purposes of the reciprocity requirement, is calculated based on private sector non-bank exposures held in the Basel member jurisdictions in which a buffer rate has been set. As at 31 March 2019 Investec Bank Limited is holding an institution specific CCyB of 0.03% of RWE. Investec Bank Limited continues to hold capital in excess of relevant capital minima's and capital buffer requirements.

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

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

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

Regulatory considerations

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

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

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

Investec Bank 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 Investec Limited and DLC Capital Committee and the Board.

Capital targets

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

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

Management of leverage

At present Investec Bank 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 Bank Limited applies the rules as outlined in the most recent BCBS publication.

Leverage ratio target

Investec Bank Limited 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

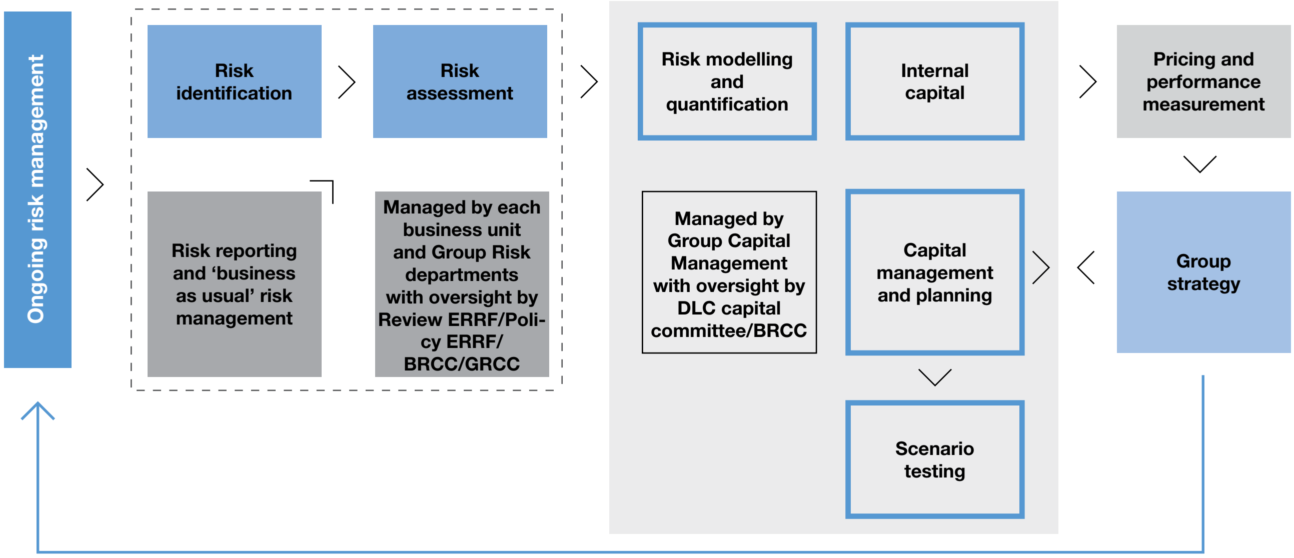
A capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium-term (three years), with the impact on earnings, 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 Limited and DLC Capital Committees 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.

Risk management framework

The (simplified) integration of risk and capital management



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

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

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

Pillar 3 disclosure requirements

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

Capital disclosures

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

Capital management and allocation

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 214 to 219 of the Investec Bank Limited group and company annual financial statements 2019.

Capital structure and capital adequacy

R'million	Pro-forma FIRB* 31 March 2019	Standardised 31 March 2019^	Standardised 1 April 2018^	Standardised 31 March 2018^
Tier 1 capital				
Shareholders' equity	39 770	39 770	35 637	36 531
Shareholders' equity per balance sheet	41 304	41 304	37 171	38 065
Perpetual preference share capital and share premium	(1 534)	(1 534)	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	931	1 157	1 345	994
Cash flow hedging reserve	931	931	994	994
Adjustments under IFRS 9 transitional arrangements	–	226	351	–
Deductions	(3 461)	(2 776)	(2 696)	(2 696)
Goodwill and intangible assets net of deferred tax	(588)	(588)	(583)	(583)
Investment in financial entity	(2 236)	(2 153)	(2 113)	(2 113)
Shortfall of eligible provisions compared to expected loss	(602)	–	–	–
Other regulatory deductions	(35)	(35)	–	–
Common equity tier 1 capital	**37 240**	**38 151**	**34 286**	**34 829**
Additional tier 1 capital	**920**	**920**	**963**	**963**
Additional tier 1 instruments	1 994	1 994	1 884	1 884
Phase out of non-qualifying additional tier 1 instruments	(1 074)	(1 074)	(921)	(921)
Tier 1 capital	**38 160**	**39 071**	**35 249**	**35 792**
Tier 2 capital	**14 401**	**14 795**	**14 090**	**14 009**
Collective impairment allowances	483	877	716	635
Tier 2 instruments	13 918	13 918	13 374	13 374
Total regulatory capital	**52 561**	**53 866**	**49 339**	**49 801**
Risk-weighted assets	**297 506**	**340 315**	**320 475**	**320 607**
Capital ratios				
Common equity tier 1 ratio	12.5%	11.2%	10.7%	10.9%
Tier 1 ratio	12.8%	11.5%	11.0%	11.2%
Total capital adequacy ratio	17.7%	15.8%	15.4%	15.5%

* *We have approval to adopt the Foundation Internal Rating (FIRB) approach, effective 1 April 2019. We present numbers on a pro-forma basis for 31 March 2019.*

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

Capital management and allocation *(continued)*

Capital requirements

R'million	31 March 2019	1 April 2018	31 March 2018
Capital requirements	**39 237**	**35 653**	**35 668**
Credit risk	33 341	28 855	28 870
Equity risk	1 863	2 521	2 521
Counterparty credit risk	732	655	655
Credit valuation adjustment risk	391	697	697
Market risk	381	502	502
Operational risk	2 529	2 423	2 423

Risk-weighted assets

R'million	31 March 2019	1 April 2018	31 March 2018
Risk-weighted assets	**340 315**	**320 475**	**320 607**
Credit risk	289 168	259 362	259 494
Equity risk	16 159	22 663	22 663
Counterparty credit risk	6 349	5 887	5 887
Credit valuation adjustment risk	3 392	6 269	6 269
Market risk	3 308	4 515	4 515
Operational risk – standardised approach	21 939	21 779	21 779

Leverage ratios

R'million	31 March 2019^	1 April 2018^	31 March 2018^
Exposure measure	**505 070**	**466 522**	**466 846**
Tier 1 capital	39 071	35 249	35 792
Leverage ratio – current**	**7.7%**#**	**7.6%#**	**7.7%#**
Tier 1 capital fully loaded^^	38 364	33 935	35 179
Leverage ratio – fully loaded^^**	**7.6%**#**	**7.3%#**	**7.5%#**

** *The leverage ratios are calculated on an end-quarter basis.*
\# *Based on revised BIS rules.*
^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 14bps lower (31 March 2018: 13bps lower).*
^^ *The key difference between the 'reported' basis at 31 March 2019 and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

Movement in total regulatory capital

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

Total regulatory capital flow statement

At 31 March R'million	2019	2018
Opening common equity tier 1 capital	**34 829**	**33 848**
Dividends	(1 022)	(1 437)
Profit after taxation	4 963	4 673
IFRS 9 adjustments	(894)	–
Movement in other comprehensive income	299	(336)
Goodwill and intangible assets (deduction net of related tax liability)	(5)	96
Investment in financial entity	(41)	(2 113)
Adjustment under IFRS 9 transitional arrangements	225	–
Other, including regulatory adjustments and transitional arrangements	(203)	98
Closing common equity tier 1 capital	**38 151**	**34 829**
Opening additional tier 1 capital	**963**	**767**
New additional tier 1 capital issues	110	350
Other, including regulatory adjustments and transitional arrangements	(153)	(154)
Closing additional tier 1 capital	**920**	**963**
Closing tier 1 capital	**39 071**	**35 792**
Opening tier 2 capital	**14 009**	**13 501**
New tier 2 capital issues	849	2 273
Redeemed capital	(1 210)	(2 205)
Collective impairment allowances	242	314
Other, including regulatory adjustments and transitional arrangements	905	126
Closing tier 2 capital	**14 795**	**14 009**
Closing total regulatory capital	**53 866**	**49 801**

A summary of capital adequacy and leverage ratios

	31 March 2019^	1 April 2018^	31 March 2018^
Common equity tier 1 (as reported)	11.2%	10.7%	10.9%
Common equity tier 1 fully loaded^^	11.1%	10.6%	10.9%
Tier 1 (as reported)	11.5%	11.0%	11.2%
Total capital adequacy ratio (as reported)	15.8%	15.4%	15.5%
Leverage ratio* – current	7.7%#	7.6%#	7.7%#
Leverage ratio* – fully loaded^^	7.6%#	7.3%#	7.5%#

Based on revised BIS rules.

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

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

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

4

REVISED QUANTITATIVE TABLES AND TEMPLATES

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

			a	b	c	d	e	f
								Pro-forma IRB
	R'million		**31 March 2019**	31 December 2018	30 September 2018	30 June 2018	31 March 2018	**31 March 2019**
Available capital (amounts)								
1	Common Equity Tier 1 (CET1)		38 151	36 808	35 885	34 452	34 829	37 240
1a	Fully loaded ECL accounting model		37 904	36 437	35 514	34 070	–	37 240
2	Tier 1		39 071	37 771	36 849	35 415	35 792	38 160
2a	Fully loaded ECL accounting model Tier 1		38 364	36 787	35 864	35 033	–	37 699
3	Total capital		53 866	52 304	50 333	49 646	49 801	52 561
3a	Fully loaded ECL accounting model total capital		51 576	49 821	47 849	49 515	–	50 351
Risk-weighted assets (amounts)								
4	Total risk-weighted assets (RWA)		340 315	333 056	330 146	325 051	320 607	297 506
Risk-based capital ratios as a percentage of RWA								
5	Common Equity Tier 1 (%)		11.2	11.1	10.9	10.6	10.9	12.5
5a	Fully loaded ECL accounting model Common Equity Tier 1		11.1	10.9	10.8	10.5	–	12.5
6	Tier 1 ratio (%)		11.5	11.3	11.2	10.9	11.2	12.8
6a	Fully loaded ECL accounting model Tier 1 (%)		11.3	11.0	10.9	10.8	–	12.7
7	Total capital ratio (%)		15.8	15.7	15.2	15.3	15.5	17.7
7a	Fully loaded ECL accounting model total capital ratio (%)		15.2	15.0	14.5	15.3	–	16.9
Additional CET1 buffer requirements as a percentage of RWA								
8	Capital conservation buffer requirement (2.5% from 2019) (%)		2.5	1.9	1.9	1.9	1.9	2.5
9	Countercyclical buffer requirement (%)		0.0295	0.0144	0.0168	–	–	–
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	1.9	1.9	1.9	1.9	2.5
12	CET1 available after meeting the bank's minimum capital requirements) (%)	N1	3.7	3.7	3.5	3.2	3.5	5.0
Basel III leverage ratio								
13	Total Basel III leverage ratio exposure measure		505 070	500 204	479 820	472 789	466 846	504 383
14	Basel III leverage ratio (%) (row 2.row 13)		7.7	7.6	7.7	7.5	7.7	7.6
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/ row 13)		7.6	7.4	7.5	7.4	–	7.5
Liquidity coverage ratio								
15	Total HQLA		82 331	81 386	78 202	84 969	80 106	82 331
16	Total net cash flow – outflow		57 018	54 969	54 795	62 573	60 179	57 018
17	LCR ratio (%)	N2	144.6	148.6	143.3	136.1	133.2	144.6
Net stable funding ratio		N3						
18	Total available stable funding		315 194	303 238	294 934	277 513	281 049	315 194
19	Total required stable funding		269 824	269 925	259 998	255 580	256 344	269 824
20	NSFR ratio		116.8	112.3	113.4	108.6	109.6	116.8

Investec Bank Limited group capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited group common equity tier 1 ratio, tier 1 ratio and total capital adequacy ratio would be 14bps lower.

The fully loaded ratio and capital amounts throughout out the KM1 template assumes full adoption of IFRS 9 and is 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 82 and 83 of this report.

N3: Refer to the LIQ2: Net stable funding ratio template and commentary on page 84 of this report.

OV1: OVERVIEW OF RWA

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

			a	b		c	Pro-forma IRB d
			Risk-weighted assets			Minimum capital requirements	Risk-weighted assets
R'million		Notes	31 March 2019	31 December 2018	31 March 2018	31 March 2019	31 March 2019
1	**Credit risk (excluding counterparty credit risk) (CCR)**	N1	**272 547**	**266 311**	**246 522**	**31 423**	**231 902**
2	Of which standardised approach (SA)		272 547	266 311	**246 522**	31 423	88 983
3	Of which foundation internal rating-based (F-IRB) approach		–	–	–	–	123 209
4	Of which supervisory slotting approach		–	–	–	–	5 385
5	Of which internal rating-based (A-IRB) approach		–	–	–	–	14 325
6	**Counterparty credit risk**	N2	**6 349**	**6 029**	**5 886**	**732**	**5 206**
7	Of which standardised approach for counterparty credit risk (CEM-CCR)		6 349	6 029	**5 886**	732	5 206
8	Of which internal model method (IMM)		–	–	–	–	–
9	Of which: other CCR		–	–	–	–	–
10	**Credit valuation adjustment (CVA)**		**3 392**	**2 599**	**6 269**	**391**	**3 310**
11	**Equity positions in banking book under market-based approach**	N3	**16 159**	**18 192**	**22 663**	**1 863**	**16 159**
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**		**3 053**	**3 051**	**2 282**	**353**	**2 102**
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)		–	–	–	–	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)		3 053	3 051	2 282	353	331
20	**Market risk**		**3 308**	**3 746**	**4 515**	**381**	**3 308**
21	Of which standardised approach (SA)		167	153	251	19	167
22	Of which internal model approaches (IMA)		3 141	3 593	4 264	362	3 141
23	Capital charge for switch between trading book and banking book		–	–	–	–	–
24	**Operational risk**	N4	**21 939**	**22 211**	**21 779**	**2 529**	**21 939**
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	N5	13 568	10 917	10 639	1 565	13 580
26	Floor adjustment	N6	–	–	–	–	–
27	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)**		**340 315**	**333 056**	**320 555**	**39 237**	**297 506**

The commentary for the movement in risk-weighted assets (RWA) below is based on comparisons between March 2018 and March 2019. The previous quarter is included for completeness of the OV1 table.

The minimum capital requirements in column (c) are based on the SARB minimum capital requirements of 11.530% and excludes Investec's domestic significant important bank (DSIB) and Pillar 2B add-on in line with the Banks Act circular 5 of 2014.

Movement in risk-weighted assets (RWA)

The Investec Bank Limited group's RWA increased from R320.5 billion to R340.3 billion. Credit risk-weighted assets grew by R26 billion, mainly associated with lending growth.

Notes:

N1: The Private client activities mainly contributed to the RWA increase through consistent growth in lending activities secured by residential and commercial real estate. In addition our corporate and institutional banking business contributed to the increase from term and short-dated corporate lending.

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 decreased by R6.5 billion 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.

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 2019 R'million	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**
Assets		
Cash and balances at central banks	10 290	10 290
Loans and advances to banks	19 903	19 939
Non-sovereign and non-bank cash placements	12 192	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	18 552
Sovereign Debt Securities	60 893	60 893
Bank Debt Securities	12 526	12 526
Other Debt Securities	13 553	13 553
Derivative financial instruments	7 700	7 700
Securities arising from customer flows	5 059	5 059
Investment Portfolio	7 664	7 664
Loans and advances to customers	261 737	261 802
Own originated loans and advances to customers securitised	7 667	7 667
Other Loans and Advances	329	329
Other Securitised Assets	232	232
Interests in associated undertakings	6 251	6 251
Deferred taxation assets	1 514	1 514
Other assets	8 237	8 315
Property and equipment	2 563	2 563
Investment Properties	1	4 134
Goodwill	171	171
Intangible Assets	418	418
Loans to groups companies	18 151	18 151
	475 603	**479 915**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–
	475 603	**479 915**
Liabilities		
Deposits by banks	30 041	30 446
Derivative financial instruments	11 097	11 097
Other trading liabilities	4 468	4 468
Repurchase agreements and cash collateral on securities lent	15 234	15 234
Customer accounts (deposits)	341 710	341 710
Debt securities in issue	6 512	7 889
Liabilities arising on securitisation of own originated loans and advances	1 720	1 720
Current taxation liabilities	542	545
Deferred taxation liabilities	78	82
Other liabilities	6 263	6 373
Loans from group companies	2 260	2 260
	419 925	**421 824**
Liabilities to customers under investment contracts	–	–
Insurance liabilities; including unit-linked liabilities	–	–
	419 925	**421 824**
Subordinated liabilities	13 918	13 918
	433 843	**435 742**

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

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

(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**
10 290	–	–	40	–
19 939	–	–	1 772	–
12 192	–	–	–	–
2 174	16 378	–	8 228	–
60 893	–	–	–	–
11 958	–	568	–	–
9 873	–	3 680	–	–
–	7 700	–	8 039	–
5 059	–	–	5 059	–
7 664	–	–	–	–
261 802	–	–	–	–
4 187	–	3 480	–	–
329	–	–	109	–
–	–	–	–	–
6 251	–	–	–	–
1 514	–	–	–	–
8 315	–	–	855	–
2 563	–	–	–	–
4 134	–	–	–	–
–	–	–	–	171
–	–	–	–	418
6 692	–	–	11 459	–
435 829	**24 078**	**7 728**	**35 561**	**589**
–	–	–	–	–
435 829	**24 078**	**7 728**	**35 561**	**589**
–	–	–	–	–
–	11 097	–	17 824	–
–	–	–	4 468	–
–	15 234	–	7 742	–
–	–	–	–	–
–	–	–	2 856	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	1 693	–
–	–	–	–	–
–	**26 331**	**–**	**34 583**	**–**
–	–	–	–	–
–	–	–	–	–
–	**26 331**	**–**	**34 583**	**–**
–	**–**	**–**	**–**	**–**
–	**26 331**	**–**	**34 583**	**–**

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

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

Intangible assets and goodwill are excluded from regulatory capital.

LI1: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENTS WITH REGULATORY RISK CATEGORIES

(continued)

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

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

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 2019 **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)**	**435 829**	**7 728**	**24 078**	**35 561**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–	–	(26 331)	(34 583)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	**435 829**	**7 728**	**(2 253)**	**978**
4	Less: Differences in valuations	9 153	3 480	–	–
5	Less: Differences due to consideration of provisions	2 753	–	–	–
6	**On-balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**423 923**	**4 248**	**(2 253)**	**978**
7	Plus: Off-balance sheet amount before CCF and CRM	88 245	–	–	–
8	**Exposure amounts considered for regulatory purposes**	**512 168**	**4 248**	**(2 253)**	**978**

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

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

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

Carrying values of exposures in the financial statements as per LI1 are reported net of impairments whereas the regulatory exposure amounts are considered gross of impairments. The provision amount of R2.7 billion consists of both the specific and portfolio impairment values.

The off-balance sheet exposure of R88 billion is the regulatory exposure before CRM and CCF (R30.3 billion post CRM and CCF). The variance between the off-balance sheet exposure on page 85 of R75.6 billion and the regulatory exposure pre CRM and CCF relate to the exclusion of revocable facilities.

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

CCYB1: GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL CAPITAL BUFFER (CCYB)

4

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 2019 Geographical Breakdown	**Countercyclical capital buffer rate**	**Exposure values**	**Risk-weighted assets**	**Bank-specific countercyclical capital buffer rate**	**Countercyclical buffer amount**
United Kingdom	1.0%	11 121	9 015		
Total adjustment		**11 121**	**9 015**	**0.0295%**	**102**

Private sector credit exposures equal or more than 2% of total risk-weighted assets (RWA) are allocated to foreign exposures and to that specific jurisdiction when CCyB requirements are calculated. Private sector credit exposures less than 2% of RWA will be treated as home jurisdiction exposures for purpose of CCyB. The CCyB requirement for South Africa is 0% and is subject to a one year pre-announced date before implementation.

The Bank-specific countercyclical capital buffer rate is calculated as total weighted average add-on of Hong Kong, Sweden, Norway and United Kingdom where the jurisdiction specific risk-weighted assets are above 2% of total risk-weighted assets. Countercyclical buffer amount is the Bank-specific countercyclical capital buffer rate multiplied by total risk-weighted assets as reported in the OVI table on page 72.

In line with directive 2 of 2018, the table represents jurisdictions where the countercyclical buffer rate is higher than zero as specified in the consolidated and enhanced framework issued by BCBS.

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.

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**

31 March 2018 R'million		a
1	Total consolidated assets as per published financial statements	444 072
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	(1 749)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	(3 791)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	31 010
7	Other adjustments	(2 696)
8	**Leverage ratio exposure measure**	**466 846**

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	c
R'million		**31 March 2019**	31 December 2018	31 March 2018
On-balance sheet exposures				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	449 716	448 384	412 461
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4 531)	(5 046)	(4 149)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**445 185**	**443 338**	**408 312**
Derivative exposures				
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	5 275	7 185	8 270
5	Add-on amounts for PFE associated with all derivatives transactions	3 128	3 127	4 235
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)	(2 391)	(1 854)	(1 668)
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)**	**6 012**	**8 458**	**10 837**
Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	16 702	10 100	15 376
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–	–
14	CCR exposure for SFT assets	1 889	1 677	1 311
15	Agent transaction exposures	–	–	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**18 591**	**11 777**	**16 687**
Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	88 245	91 594	82 996
18	(Adjustments for conversion to credit equivalent amounts)	(52 963)	(54 963)	(51 986)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**35 282**	**36 631**	**31 010**
Capital and total exposures				
20	Tier 1 capital	39 071	37 771	35 792
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**505 070**	**500 204**	**466 846**
Leverage ratio				
22	**Basel III leverage ratio**	**7.7**	**7.6**	**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 31 March 2019 **R'million**		**Total unweighted value (average)**	**Total weighted value (average)**
High-quality liquid assets			
1	Total HQLA		82 331
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**74 039**	**7 404**
3	Stable deposits	–	–
4	Less stable deposits	74 039	7 404
5	**Unsecured wholesale funding, of which:**	**103 023**	**74 974**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	102 198	74 149
8	Unsecured debt	825	825
9	**Secured wholesale funding**		**1 425**
10	**Additional requirements, of which:**	**67 396**	**11 265**
11	Outflows related to derivative exposures and other collateral requirements	11 872	5 005
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	55 524	6 260
14	**Other contractual funding obligations**	**124**	**124**
15	**Other contingent funding obligations**	**84 976**	**4 743**
16	**Total cash outflows**		**99 935**
Cash inflows			
17	Secured lending (e.g. reverse repos)	14 051	3 155
18	Inflows from fully performing exposures	42 179	37 389
19	Other cash inflows	2 578	2 374
20	**Total cash inflows**	**58 808**	**42 918**

			Total adjusted value
21	**Total HQLA**		**82 331**
22	**Total net cash outflows**		**57 018**
23	**Liquidity Coverage Ratio (%)**		**144.6**

The values in the table are calculated as the simple average of the 92 calendar daily values over the period 1 January 2019 to 31 March 2019 for Investec Bank Limited group.

The weighted value represents the cash flow amount under a stressed scenario as a percentage of the unweighted value.

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 and Investec Bank (Mauritius) Limited, contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows.

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 5% of total HQLA.
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2018 quarter-end:

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

LIQ2: NET STABLE FUNDING RATIO (NSFR)

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

		a	b	c	d	e
		Unweighted value by residual maturity				
At 31 March 2019 (in currency amount) R'million		**No maturity**	**<6 months**	**6 months to <1 year**	**>1 year**	**Weighted value**
Available stable funding (ASF) item						
1	Capital:	41 879	–	–	12 768	54 647
2	Regulatory capital	41 879	–	–	12 768	54 647
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	80 216	7 836	3 755	1 654	84 280
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	80 216	7 836	3 755	1 654	84 280
7	Wholesale funding	163 177	103 806	990	39 687	169 660
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	163 177	103 806	990	39 687	169 660
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	8 964	320	–	12 094	6 607
12	NSFR derivative liabilities				11 998	
13	All other liabilities and equity not included in the above categories	8 964	320	–	96	6 607
14	**Total ASF**					**315 194**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					4 790
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities	33 044	83 131	22 751	223 074	238 079
18	Performing loans to financial institutions secured by Level 1 HQLA	–	12 515	–	52	1 303
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	14 161	29 031	3 751	29 976	39 240
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:	12 913	38 576	17 784	117 084	137 570
21	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	–	–	3 688	2 397
22	Performing residential mortgages, of which:	–	775	483	60 514	39 963
23	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	775	483	60 514	39 963
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5 970	2 234	733	15 448	20 003
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	17 655	1 753	192	30 368	22 771
27	Physical traded commodities, including gold	1 693				1 439
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1 105	939
29	NSFR derivative assets				9 522	–
30	NSFR derivative liabilities before deduction of variation margin posted				19 173	1 917
31	All other assets not included in the above categories	15 962	1 753	192	568	18 476
32	Off-balance sheet items	–	168 518	–	–	4 184
33	**Total RSF**					**269 824**
31	**Net Stable Funding Ratio (%)**					**116.8**

The NSFR increased by nearly 5% almost entirely due to the profile of our wholesale funding, as a result of our strategic intention to lengthen our funding.

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

- The asset class customer type and residual maturity of deposits are the key drivers of 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 and especially HQLA.

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 2019 R'million		**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values (a+b-c)**
1	**Loans**	**3 940**	**268 489**	**(2 696)**	**269 733**
1a	Loans and advances to customers	3 585	260 812	(2 660)	261 737
1b	Own originated loans and advances to customers	–	7 677	(10)	7 667
1c	Other loans and advances	355	–	(26)	329
2	**Debt securities**	**–**	**99 193**	**(56)**	**99 137**
2a	Non-sovereign and non-bank cash placements	–	12 208	(16)	12 192
2b	Sovereign debt securities	–	60 897	(23)	60 874
2c	Bank debt securities	–	12 529	(6)	12 523
2d	Other non-structured debt securities	–	11 926	(8)	11 918
2e	Other structured debt securities	–	1 633	(3)	1 630
2f	Other securitised assets	–	–	–	–
3	**Off-balance sheet exposures**	**632**	**75 032**	**(38)**	**75 626**
4	**Total**	**4 572**	**442 714**	**(2 790)**	**444 496**

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

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

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

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

CREDIT RISK
CR2: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

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

	R'million	a
1	**Defaulted loans and debt securities at 31 March 2018**	**3 002**
2	Loans and debt securities that have defaulted since the last reporting period	2 376
3	Returned to non-defaulted status	(386)
4	Amounts written off	(523)
5	Other changes	(529)
6	**Defaulted loans and debt securities at 31 March 2019**	**3 940**

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

The defaulted exposures line 6 column (a) of this report represents on-balance sheet defaulted loans and debt securities exposures, it therefore differs from the total represented in the CR1 table line 4 column (a) due to off-balance sheet exposures.

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 2019 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	209 219	104 752	94 319	5 976	4 781	–	–
2	Debt securities	84 795	11 368	3 873	301	296	–	–
	Off-balance sheet	59 258	27 240	26 889	1 759	1 714	–	–
3	**Total**	**353 272**	**143 360**	**125 081**	**8 036**	**6 791**	**–**	**–**
4	**Of which defaulted**	**1 653**	**915**	**815**	**30**	**12**	**–**	**–**

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

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.

CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

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

		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWA and RWA density**	
At 31 March 2019 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	67 796	–	71 440	735	4 321	6.0%
2	Non-central government public sector entities	7 661	1 050	4 258	222	998	22.3%
3	Multilateral development banks	163	–	163	–	–	0.0%
4	Banks	21 967	442	20 136	293	9 006	44.1%
5	Securities firms	2	200	2	100	102	100.0%
6	Corporates	131 889	43 104	108 630	12 305	113 778	94.1%
7	Regulatory retail portfolios	6 979	6 932	6 510	1 609	6 089	75.0%
8	Secured by residential property	69 271	24 979	77 708	11 496	36 258	40.6%
9	Secured by commercial real estate	91 522	11 153	82 929	3 582	86 511	100.0%
10	Equity	4 257	–	4 257	–	16 159	379.6%
11	Past-due loans	3 662	385	2 073	30	2 156	102.5%
12	Higher risk categories	–	–	–	–	–	0.0%
13	Other assets	18 754	–	18 754	–	26 895	143.4%
14	**Total**	**423 923**	**88 245**	**396 860**	**30 372**	**302 272**	**70.8%**

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

* Columns (c) and (d) represent the substituted asset class as a result of eligible guarantees.

CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS *(continued)*

The following is further relevant to the table:

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.

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 2019 **R'million**		**0%**	**10%**	**20%**
	Risk weight			
	Asset classes			
1	Sovereigns and their central banks	67 829	–	–
2	Non-central government public sector entities (PSEs)	–	–	4 141
3	Multilateral development banks (MDBs)	163	–	–
4	Banks	6	–	12 992
5	Securities firms	–	–	–
6	Corporates	5 542	–	870
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**	**73 540**	**–**	**18 003**

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

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.

d	e	f	g	h	i	j
35%	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post CRM)**
–	207	–	3 982	157	–	72 175
–	339	–	–	–	–	4 480
–	–	–	–	–	–	163
–	2 124	–	5 228	78	–	20 429
–	–	–	102	–	–	102
–	2 738	–	111 786	–	–	120 935
–	–	8 119	–	–		8 119
80 069	–	3 603	5 532	–	–	89 204
–	–	–	86 511	–	–	86 511
					4 257	4 257
–	525	–	942	636	–	2 103
					–	–
			13 327		5 427	18 754
80 069	**5 933**	**11 722**	**227 410**	**871**	**9 684**	**427 232**

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

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 2019 R'million		**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	CEM-CCR (for derivatives)	6 317	3 128	–	1	7 422	5 441
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)	–	–	–	–	1 889	860
5	VaR for SFTs	–	–	–	–	–	–
6	**Total**						**6 301**

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

Counterparty credit risk RWA in table OV1 on page 72 of R9.7 billion (including CCR, CVA and CCPs), represent 2.9% of the total bank RWA as at 31 March 2019.

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 October 2019.

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

		a	b
At 31 March 2019 **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	5 384	3 392
4	**Total subject to the CVA capital charge**	**5 384**	**3 392**

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

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

We currently apply the standardised approach to the calculation of the CVA capital requirement. The Investec Bank Limited group's exposure to unexpected changes to the CVA reserve is generally expected to be low, as the trading of OTC derivatives is predominantly for hedging purposes and transacted with high credit quality financial counterparties largely on a collateralised basis.

COUNTERPARTY CREDIT RISK
CCR3: STANDARDISED APPROACH OF CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

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

	Risk weight		
	a	b	c
At 31 March 2019 **R'million**	**0%**	**10%**	**20%**
Regulatory portfolio			
Sovereigns	–		–
Non-central government public sector entities (PSEs)	–		466
Multilateral development banks (MDBs)			
Banks	32		1 722
Securities firms			
Corporates	493		–
Regulatory retail portfolios	–		–
Other assets			
Total	**525**	**–**	**2 188**

	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	104		146
Regulatory retail portfolios	–	–	–
Other assets			
Total	**164**	**–**	**1 968**

	Risk weight					
	d	e	f	g	h	i
	50%	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
	–	–	506	–		506
	2	–	4	34		506
						–
	1 221	–	242	–		3 217
			77			77
	280	–	4 221	–		4 994
	–	11	–	–		11
						–
	1 503	**11**	**5 050**	**34**	**–**	**9 311**

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

CCR5: COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

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

	a	b	c	d	e	f
	Collateral used in derivative transactions				**Collateral used in SFTs**	
	Fair value of collateral received		**Fair value of posted collateral**			
At 31 March 2019 R'million	**Segregated**	**Un-segregated**	**Segregated**	**Un-segregated**	**Fair value of collateral received**	**Fair value of posted collateral**
Cash – domestic currency	250	–	993	–	–	7 703
Cash – other currencies	1 462	–	6 928	–	–	8 999
Domestic sovereign debt	–	–	–	–	5 191	–
Other sovereign debt	–	–	–	–	2 740	–
Government agency debt	–	–	–	–	187	–
Corporate bonds	–	–	–	–	5 140	–
Equity securities	225	–	–	–	–	–
Other collateral	582	–	–	–	1 555	–
Total	**2 519**	**–**	**7 921**	**–**	**14 813**	**16 702**

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

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

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

	a	b
At 31 March 2019 R'million	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	–	2 604
Index credit default swaps	–	–
Total notionals	**–**	**2 604**
Fair values		
Positive fair value asset	–	44
Negative fair value liability	–	(57)

	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 return swaps	**2**	**1 421**
Fair values		
Positive fair value asset	2	1 421
Negative fair value liability	–	–

The bank 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 2019 **R'million**		**EAD (post-CRM)**	**RWA**
1	**Exposures to QCCPs (total)**	**3 479**	**48**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	2 391	48
5	(iii) Securities financing transactions	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	1 078	–
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	10	–
10	Unfunded default fund contributions	–	–
11	**Exposures to non-QCCPs (total)**	–	–
12	Exposures for trades 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 2018 **R'million**		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**	**2 593**	**34**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	1 668	33
5	(iii) Securities financing transactions	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	915	–
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	10	1
10	Unfunded default fund contributions	–	–
11	**Exposures to non-QCCPs (total)**	–	–
12	Exposures for trades 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 bank's securitisation exposures in its banking book split between special purpose vehicles where we have acted as an originator and/or investor.

		a	b	c
		Bank acts as originator		
At 31 March 2019 **R'million**		**Traditional**	**Synthetic**	**Sub-total**
1	**Retail (total) – of which**	1 907	–	1 907
2	residential mortgage	1 907	–	1 907
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 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	–	–	–

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

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

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

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

e	f	g	i	j	k
Bank acts as sponsor			**Bank acts as investor**		
Traditional	**Synthetic**	**Sub-total**	**Traditional**	**Synthetic**	**Sub-total**
–	–	–	2 124	–	2 124
–	–	–	2 124	–	2 124
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	**–**	**–**	**185**		**185**
–	–	–	185	–	185
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

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

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 bank acted as an originator and the associated capital requirements

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					Exposure values (by regulatory approach)	
At 31 March 2019 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**	**–**	**1 907**	**–**	**–**	**–**	**–**	**–**
2	**Traditional securitisation**	–	1 907	–	–	–	–	–
3	Of which securitisation	–	1 907	–	–	–	–	–
4	Of which retail underlying	–	1 907	–	–	–	–	–
5	Of which wholesale	–	–	–	–	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	–	1 907	–	–	–	–	–
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 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	–	–	–	–	–	–	–

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

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%**
1 907	**–**	**–**	**–**	**1 282**	**–**	**–**	**–**	**148**	**–**
1 907	–	–	–	1 282	–	–	–	148	–
1 907	–	–	–	1 282	–	–	–	148	–
1 907	–	–	–	1 282	–	–	–	148	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
1 907	–	–	–	1 282	–	–	–	148	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

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

Securitisation risk is measured on the standardised approach (TSA). The bank has not applied the internal assessment approach (IAA) to unrated exposures nor has it provided implicit support to any of the special purpose institutions (SPIs). The capital charge is calculated at 11.530%.

SEC4: SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

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

	a	b	c	d	e	f	g
	Exposure values (by RW bands)					Exposure values (by regulatory approach)	
At 31 March 2019 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	**33**	**1 183**	**1 037**	**89**	**–**	**–**	**–**
2 Traditional securitisation	33	1 183	1 037	89	–	–	–
3 Of which securitisation	33	1 183	1 037	89	–	–	–
4 Of which retail underlying	–	1 183	941	–	–	–	–
5 Of which wholesale	33	–	96	89	–	–	–
6 Of which resecuritisation	–	–	–	–	–	–	–
7 Of which senior	33	1 183	1 037	89	–	–	–
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 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	–	–	–	–	–	–	–

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

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

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%**
2 341	**–**	**–**	**–**	**1 771**	**–**	**–**	**–**	**204**	**–**
2 341	–	–	–	1 771	–	–	–	204	–
2 341	–	–	–	1 771	–	–	–	204	–
2 124	–	–	–	1 292	–	–	–	149	–
218	–	–	–	479	–	–	–	55	–
–	–	–	–	–	–	–	–	–	–
2 341	–	–	–	1 771	–	–	–	204	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

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	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

MR1: MARKET RISK UNDER STANDARDISED APPROACH

		a
At 31 March 2019 **R'million**		**Risk-weighted assets**
	Outright products	
1	Interest rate risk (general and specific)	38
2	Equity risk (general and specific)	129
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**167**

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

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 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 the end of the reporting period	1 262	1 879	–	–	–	3 141

		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

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

The decrease in VaR and sVaR RWAs are due to relatively higher VaR and sVaR figures dropping out of the 60 day averaging window and replaced with relatively lower VaR figures. The Interest Rate Derivatives desk saw a marked decrease over the period with the Equity Derivatives desk also showing a slight decrease in exposure as well.

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 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)	–

Summary statistics were calculated on the 10-day VaR and sVaR figures for the full year ended 31 March 2019. The 10-day figures were obtained by multiplying the one-day figures by SQRT(10).

		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)	–

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 2019 R'million		Amounts subject to pre-Basel III treatment
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	13 396
2	Retained earnings	25 579
3	Accumulated other comprehensive income (and other reserves)	1 019
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**	**39 994**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustment	8
8	Goodwill (net of related tax liability)	171
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	418
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	(931)
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	24
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)	2 153
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**	**1 843**
29	**Common Equity Tier 1 Capital (CET1) (Row 6 – Row 28)**	**38 151**

Investec Limited group capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited group common equity tier 1 ratio, tier 1 ratio and total capital adequacy ratio would be 14bps lower.

CC1: COMPOSITION OF REGULATORY CAPITAL

(continued)

At 31 March 2019 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	460
31	of which: classified as equity under applicable accounting standards	460
32	of which: classified as liabilities under applicable accounting standards	–
33	Directly issued capital instruments subject to phase out from Additional Tier 1	460
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–
35	of which: instruments issued by subsidiaries subject to phase out	–
36	**Additional Tier 1 capital before regulatory adjustments**	**920**
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)**	**920**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**39 071**
Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	13 918
47	Directly issued capital instruments subject to phase out from Tier 2	1 750
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–
49	of which: instruments issued by subsidiaries subject to phase out	–
50	Provisions	877
51	Tier 2 capital before regulatory adjustments	14 795
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	–
53	Reciprocal cross-holdings in Tier 2 instruments	–
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–
56	National specific regulatory adjustments	–
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–
57	**Total regulatory adjustments to Tier 2 capital**	**–**
58	**Tier 2 capital (T2)**	**14 795**

At 31 March 2019 R'million		Amounts subject to pre-Basel III treatment
59	**Total capital (TC = T1 + T2)**	**53 866**
	RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	340 315
	of which: Credit risk including equity exposures	305 327
	of which: Counterparty credit risk*	9 741
	of which: Market risk	3 308
	of which: Operational risk	21 939
60	**Total risk-weighted assets**	**340 315**
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	11.2%
62	Tier 1 (as a percentage of risk-weighted assets)	11.5%
63	Total capital (as a percentage of risk-weighted assets)	15.8%
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)	7.5%
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)	11.2%
National Minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	7.5%
70	National Tier 1 minimum ratio	9.25%
71	National total capital minimum ratio	11.5%
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	4 030
74	Mortgage servicing rights (net of related tax liability)	–
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1 396
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)	877
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3 358
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.*

Disclosure template for main features of regulatory capital instruments

	At 31 March 2019	Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IVO48U
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted	ZAE000048393	N/A
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa
	Regulatory treatment			
4	Transitional Basel III rules	CET1	AT1	AT1
5	Post-transitional Basel III rules	CET1	AT1	AT1
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	CET1	AT1	AT1
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)[1]	13 383	1 534	350
9	Par value of instrument	13 383	1 534	350
10	Accounting classification	IFRS: Equity	IFRS: Equity	IFRS: Equity
11	Original date of issuance	31 March 1969	17 July 2003	22 March 2018
12	Perpetual or dated	Perpetual	Perpertual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	22 March 2023
	Tax and/or regulatory event	Not applicable	Not applicable	Yes
	Redemption amount	Not applicable	Not applicable	100% of principal plus interest
16	Subsequent call date, if applicable	Not applicable	Not applicable	Every reset date thereafter
	Coupons/dividends			
17	Fixed or floating dividend coupon	Floating	Floating	Floating
18	Coupon rate and any related index	Not applicable	83.33% of prime rate	JIBAR + 5.15%
19	Existence of a dividend stopper	No	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable	Not applicable	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative

	IV019	IV019A	IV025	IV026	IVO30
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000094442	ZAG000095779	ZAG000099680	ZAG000100041	ZAG000100553
	South Africa	South Africa	South Africa	South Africa	South Africa
	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
	Tier 2	Tier 2	Phased out	Phased out	Tier 2
	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
	155	371	1 000	750	501
	64	230	1 000	750	324
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	2 April 2012	28 May 2012	12 September 2012	27 September 2012	18 October 2012
	Dated	Dated	Dated	Dated	Dated
	31 March 2028	31 March 2028	12 September 2024	27 September 2024	31 January 2025
	Yes	Yes	Yes	Yes	Yes
	31 March 2023	3 April 2023	12 September 2019	27 September 2019	31 January 2020
	Yes	Yes	Yes	Yes	Yes
	Investment amount plus interest plus change in price of replicated bond	Investment amount plus interest plus change in price of replicated bond	100% of principal plus interest	100% of principal plus interest	Investment amount plus interest plus change in price of replicated bond
	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Floating	Floating	Floating	Floating	Floating
	CPI-linked: 2.60%	CPI-linked: 2.60%	JIBAR + 2.5%	JIBAR + 2.45%	CPI-linked: 2.00%
	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

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

At 31 March 2019		Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IVO48U
23	Convertible or non-convertible	Not applicable	Not applicable	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	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
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	PONV as defined by regulator
32	If write-down, full or partial	Not applicable	Not applicable	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Not applicable	Not applicable	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	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
36	Non-compliant transitioned features	Not applicable	Yes	No
37	If yes, specify non-compliant features	Not applicable	Excludes loss absorbency requirements	Not applicable

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

	IV019	IV019A	IV025	IV026	IVO30
	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Non-convertible	Non-convertible	Convertible or write-off as per regulation, at option of regulator
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Not applicable	Not applicable	Partial or full write-off as per regulation, at option of regulator
	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	Not applicable	Not applicable	Partial or full, as deemed required by regulator
	Not applicable	Not applicable	Not applicable	Not applicable	Permanent as per G7/2013
	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
	No	No	Yes	Yes	No
	Not applicable	Not applicable	No PONV in contract	No PONV in contract	Not applicable

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

At 31 March 2019		IV030A	IV031	IV033
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000100884	ZAG000103722	ZAG00013342
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa
	Regulatory treatment			
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/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
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)[1]	424	500	159
9	Par value of instrument	350	500	159
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	26 October 2012	11 March 2013	11 February 2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	31 January 2025	11 March 2025	11 February 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	31 January 2020	11 March 2020	11 February 2021
	Tax and/or regulatory event	Yes	Yes	Yes
	Redemption amount	Investment amount plus interest plus change in price of replicated bond	100% of principal and interest	100% of principal and interest
16	Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends			
17	Fixed or floating dividend coupon	Floating	Floating	Floating
18	Coupon rate and any related index	CPI-linked: 2.00%	JIBAR + 2.95%	JIBAR + 4.25%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative

IV034	IV035	IV036	IV037	IV038	IV039
Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
ZAG000133430	ZAG000134610	ZAG000135526	Unlisted	ZAG000139593	ZAG000139700
South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
101	1 468	32	1 533	350	179
101	1 468	32	1 724	350	119
IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11 February 2016	17 March 2016	22 April 2016	19 October 2016	23 September 2016	29 September 2016
Dated	Dated	Dated	Dated	Dated	Dated
11 February 2026	7 April 2027	22 July 2026	19 October 2026	23 September 2026	31 January 2027
Yes	Yes	Yes	Yes	Yes	Yes
11 February 2021	7 April 2022	22 July 2021	19 October 2021	23 September 2021	31 January 2022
Yes	Yes	Yes	Yes	Yes	Yes
100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	Inflation adjusted 100% of principal and interest
Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
Fixed	Floating	Floating	Mixed rate	Floating	Mixed rate
12.47%	JIBAR + 4.65%	JIBAR + 4.25%	LIBOR + 5.5%	JIBAR + 4.25%	CPI-linked: 2.75%
No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No
Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

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

At 31 March 2019		IV030A	IV031	IV033	
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	
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	
29	If convertible, specify issuer of instrument it converts into	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	
31	If write-down, write-down trigger(s)	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	
33	If write-down, permanent or temporary	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	
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	
36	Non-compliant transitioned features	No	No	No	
37	If yes, specify non-compliant features	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.*

IV034	IV035	IV036	IV037	IV038	IV039
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

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

At 31 March 2019		IV040	IV041	IV042	IV043
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000139718	ZAG000139726	ZAG000140708	ZAG000140765
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa
	Regulatory treatment				
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)[1]	589	190	50	150
9	Par value of instrument	589	190	50	150
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	29 September 2016	29 September 2016	18 November 2016	21 November 2016
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	29 September 2026	29 September 2026	18 November 2026	21 November 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	29 September 2021	29 September 2021	18 November 2021	21 November 2021
	Tax and/or regulatory event	Yes	Yes	Yes	Yes
	Redemption amount	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest
16	Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends				
17	Fixed or floating dividend coupon	Floating	Mixed Rate	Floating	Mixed Rate
18	Coupon rate and any related index	J + 4.25%	11,97%	J + 4.25%	12,50%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative

IV044	IV045	IV046	IV047	IV049	IV050
Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
ZAG000141797	ZAG000141805	ZAG000144585	Unlisted	Unlisted	ZAG000158080
South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	AT1
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	AT1
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	AT1
240	1 740	1 200	1 388	849	110
240	1 160	1 200	1 517	783	110
IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
31 January 2017	31 January 2017	21 June 2017	30 June 2017	30 June 2017	26 March 2019
Dated	Dated	Dated	Dated	Dated	Perpetual
31 January 2027	31 January 2027	21 June 2027	30 June 2022	30 June 2022	No maturity
Yes	Yes	Yes	Yes	Yes	Yes
31 January 2022	31 January 2022	21 June 2022	30 June 2027	30 June 2027	26 June 2024
Yes	Yes	Yes	Yes	Yes	Yes
100% of principal and interest	Inflation adjusted 100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal plus 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	Mixed Rate	Floating
J + 4.15%	CPI-linked: 2.75%	J + 3.90%	Libor + 4.5%	Libor + 3.413%	Jibar + 4.55%
No	No	No	No	No	Yes
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary
No	No	No	No	No	No
Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Non-cumulative

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

At 31 March 2019		IV040	IV041	IV042	IV043
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
24	if convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25	if convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26	if convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27	if convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28	if convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29	if convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
31	If write-down, write-down trigger(s)	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
32	If write-down, full or partial	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

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

IV044	IV045	IV046	IV047	IV049	IV050
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	Non-convertible
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	Tier 1 instruments
No	No	No	No	No	No
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

ANNEXURE

6

REQUIREMENT		KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
OVA – Bank risk management approach			
Our risk management objectives and policies are disclosed in relation to 10 key risks as highlighted by the board of directors. The requirements of table OVA are therefore discussed in relation to these 10 key risks.			
(a)	How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board	Credit risk	12
		Investment risk	40
		Traded market risk	44
		Balance sheet risk	48
		Liquidity risk	48
		Reputational risk	61
		Legal risk	61
		Conduct risk	62
		Capital management risk	63
		Operational risk	58
		Summary of risks during year in review	11
		Overview of our principle risks	15
(b)	The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function)	Credit risk	12
		Investment risk	40
		Traded market risk	44
		Balance sheet risk	48
		Liquidity risk	48
		Reputational risk	61
		Legal risk	61
		Conduct risk	62
		Capital management risk	63
		Operational risk	58
(c)	Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions)	*Applies to all key risks:*	
		Philosophy and approach to risk management	11
		Risk framework, committees and forums	15
		Risk management framework	15
(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	17
		Summary of investments held and stress testing analysis	41
		Capital stress testing scenarios	47
		Stress testing is used as a mitigation technique against some of the key risks identified and is discussed in the mitigation section referenced below	

REQUIREMENT		KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
OVA – Bank risk management approach (continued)			
(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	12
		Investment risk	40
		Traded market risk	44
		Balance sheet risk	48
		Liquidity risk	48
		Reputational risk	61
		Legal risk	61
		Conduct risk (mitigation techniques discussed as part of operational risk)	62
		Capital management risk	63
		Operational risk	58
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	74
(b)	Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2	Refer to table LI2	78
(c)	In accordance with the implementation of the guidance on prudent valuation, banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable	Property valuations	40
	Disclosure must include: • Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used • Description of the independent price verification process • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument)	Valuation and accounting methodologies	40
LIQA – Liquidity risk management			
(a)	Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.		48
(b)	Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.		49
(c)	Liquidity risk mitigation techniques.		49
(d)	An explanation of how stress testing is used.		49
(e)	An outline of the bank's contingency funding plans.		51

REQUIREMENT		KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
CRA – Banks must describe their risk management and policies for credit risk focusing in particular on:			
(a)	How the business model translates into the components of the bank's credit risk profile	Credit and counterparty risk management	16 – 17
(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	18
(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 page 19*	n/a
(e)	Breakdown of exposures by geographical areas, industry and residual maturity	Gross on balance sheet exposure by industry and residual maturity	26 – 31
(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	24
(g)	Ageing analysis of accounting past due exposures	An age analysis of past due and default core loans and advances to customers	34

REQUIREMENT		KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
CRC – Qualitative disclosure requirements related to credit risk mitigation techniques			
(a)	Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting	Credit risk mitigation	21
(b)	Core features of policies and processes for collateral	Credit risk mitigation	21
(c)	Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)	Credit risk mitigation Collateral	21 21 – 22
CRD – Qualitative disclosures on banks' use of external credit ratings under standardised approach for credit risk			
(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;	Management and measurement of credit and counterparty risk	16
(b)	The asset classes for which each ECAI or ECA is used		
(c)	A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book		
(d)	The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply)	*The SARB has published a standard mapping table with which the bank has to comply*	n/a
CRE – Qualitative disclosures related to IRB models			
Not applicable as the bank follows the standardised approach for credit risk			
Quantitative disclosures not relevant to Investec Bank Limited group			
The following tables are not relevant as the bank follows the standardised approach for credit risk: CR6 – IRB – Credit risk exposures by portfolio and PD range CR7 – IRB – Effect on RWA of credit derivatives used as CRM techniques CR8 – RWA flow statements of credit risk exposures under IRB CR9 – IRB – Backtesting of probability of default (PD) per portfolio CR10 – IRB (specialised lending and equities under the simple risk weight method) CCR4 – IRB – CCR exposures by portfolio and PD scale CCR7 – RWA flow statements of CCR exposures under the internal model method (IMM) TLAC1 –TLAC composition for G-SIBs (at resolution group level) TLAC2 – Material subgroup entity – creditor ranking at legal entity level TLAC3 – Resolution entity – creditor ranking at legal entity level KM2 – Key metrics – TLAC requirements (at resolution group level) GSIB1 – Disclosure of G-SIB indicators SEC2 – Securitisation exposures in the trading book			
CCRA – Qualitative disclosures related to counterparty credit risk including:			
(a)	Risk management objectives and policies related to counterparty credit risk	Credit and counterparty risk management	16
(b)	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures	Credit and counterparty risk appetite *CCPs not material and only effective 2017*	16
(c)	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs	Credit risk mitigation *CCPs not material and only effective 2017*	21
(d)	Policies with respect to wrong-way risk exposures	Credit and counterparty risk management	16
(e)	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade	Philosophy and approach to risk management	11 – 13

REQUIREMENT		KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
SECA – Qualitative disclosure requirements related to securitisation exposures			
Banks must describe their risk management objectives and policies for securitisation activities and main features of these activities according to the framework below. If a bank holds securitisation positions reflected both in the regulatory banking book and in the regulatory trading book, the bank must describe each of the following points by distinguishing activities in each of the regulatory books.			
(a)	The bank's objectives in relation to securitisation and resecuritisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities, the type of risks assumed and the types of risks retained	Securitisation/structured credit activities exposures	42
(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	42
(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	44
(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		

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
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	45
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	63
(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 54 55
(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.	114 – 130 of the Investec Bank Limited group and company annual financial statements 2019.	
(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.		

REQUIREMENT		KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
REMA – Remuneration policy (continued)			
(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.		
(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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