2016

DISCLOSURE REPORT

Investec Bank Limited
Basel Pillar III
disclosure report

Out of the Ordinary®

Investec

The Investec Bank Limited Pillar III report covers the period 1 April 2015 to 31 March 2016

On 28 January 2015 the Basel Committee on Banking Supervision (BCBS) issued revised Pillar III disclosure requirements (the revised Pillar III disclosures). The revised Pillar III disclosures incorporate standardised templates and supersede the existing Pillar III disclosure requirements in regulation 43 of the Regulations relating to banks (the Regulations) and/or previously issued the Banks Act (2007) (the Act) directives, except for the following existing disclosures that will remain in place:

- Remuneration (July 2011) (disclosed in the Investec Bank Limited's 2016 annual report on pages 92 to 103);
- Composition of capital disclosure requirements (June 2012) (pages 100 to 111);
- Liquidity coverage ratio disclosure standards (January 2014) (pages 59 to 60); and
- Leverage ratio framework and disclosure requirements (January 2014) (pages 70 to 71).

The revised Pillar III disclosure requirements (reported in section 4 of this document) are legislated by the Banks Act directive 11 of 2015 that includes revised qualitative and quantitative tables and disclosures related to:

- An overview of risk management and risk-weighted assets (RWA) (page 73);
- Linkages between financial statements and regulatory exposures (pages 74 to 76);
- Credit risk (pages 77 to 83);
- Counterparty credit risk (pages 84 to 89);
- Securitisation risk (pages 90 to 95); and
- Market risk (pages 96 to 98).

To provide a user with an overview of the group's risk management approach, we have provided in section 3 a complete extract from our 2016 annual report, with a table provided in the Annexure on pages 113 to 117 that cross references the qualitative disclosures as required by the revised disclosure requirements.

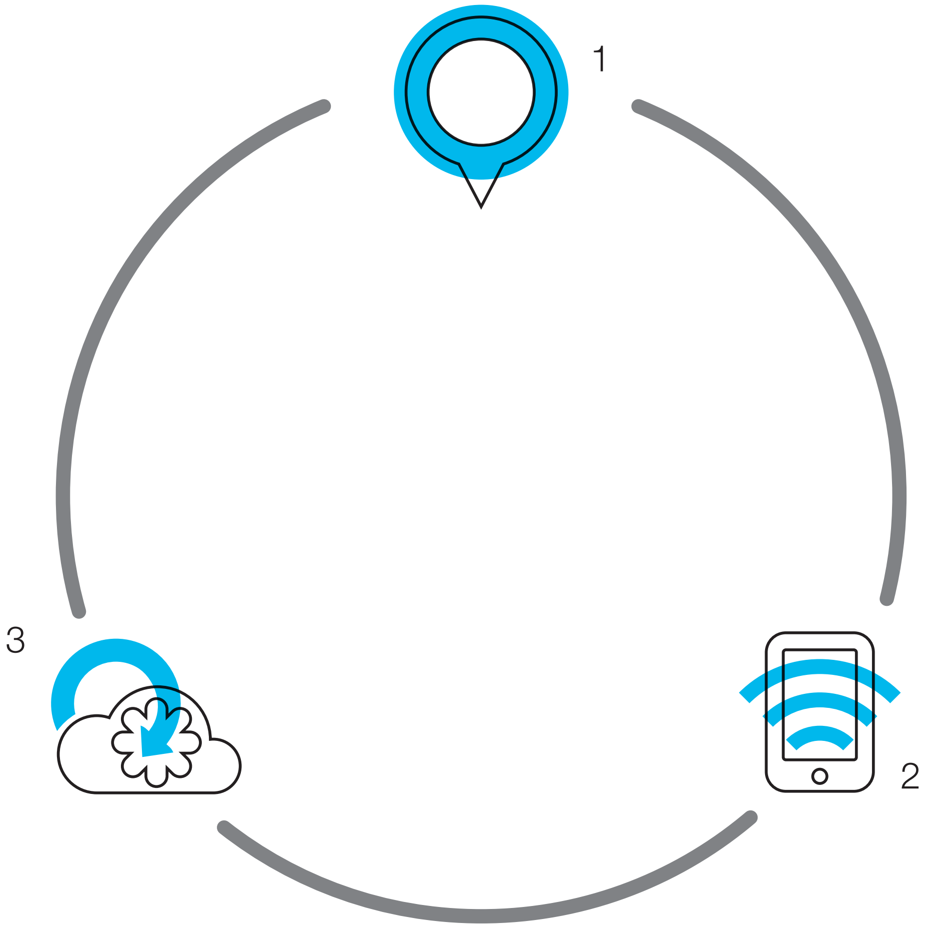
The table below provides details of the regulatory risk measurement approaches applied per relevant risk type to calculate capital demand:

Risk type	Risk measurement approach
Credit risk (including securitisation risk)	Standardised approach (TSA)
Market risk	Combination of the Standardised (TSA) and Internal model method (IMM) approaches
Operational risk	Standardised approach (TSA)
Equity risk in the Banking book	Market based approach – Simple risk weight method (MSRM)
Counterparty credit risk	Current exposure method (CEM)

Required tables and disclosures related to risk measurement approaches other than those listed above were therefore not applicable and excluded from this report. Refer to the Annexure for a list of tables excluded on pages 113 to 117.

The revised Pillar III disclosures format has been generated for the first time based on 31 March 2016 data and includes limited comparatives, where available, to prior period disclosures. This approach is consistent with industry guidance provided in South Africa.

The BCBS has consulted further on Pillar III in a document titled: "Pillar III disclosure requirements – consolidated and enhanced framework – consultative document" (March 2016). We will consider these proposed requirements for future Pillar III publications when the disclosures become effective in South Africa.



CROSS REFERENCE TOOLS

1. Page references
Refers readers to information elsewhere in this report

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

3. Sustainability
Refers readers to further information in our sustainability report available on our website: *www.investec.com*

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
IEP	Investec Equity Partners (Pty) Ltd
Investec/the group	Investec Limited Group (INL)
IMA	Internal model approach
ISDA	International Swaps and Derivatives Association document that outlines the terms applied to a derivatives transaction between two parties
LCR	Liquidity coverage ratio
OTC	Over-the-counter derivative exposures
PFE	Potential future exposure add-on for OTC derivative exposures
PONV	Point of non-viability
Pillar IIB	Idiosyncratic risk capital add-on
RW%	Risk weight is the factor applied to E* to determine capital requirements demand
RWA	Risk-weighted assets
SA-CCR	Standardised approach for measuring exposure at default for OTC exposures
SARB	South African Reserve Bank
SFT	Security financing transactions
SOE	State-owned enterprise
The Bank	Investec Bank Limited Group (IBL)
The Banks Act	Banks Act, 1990 (Act No. 94 of 1990) (as amended)
The Regulations	Regulations relating to South African banks (12 December 2012)
TSA	The standardised approach
VaR	Value at risk

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Board-approved
disclosure policy

Board-approved disclosure policy

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

Investec endeavours to:

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

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

The Investor Relations division (IR) is responsible for working with the other divisions in the organisation 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 opinion on the disclosures presented in this report.

As at 31 March 2016, 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 group board risk and capital committee

30 June 2016

Two

Independent auditors' review report

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To the directors of Investec Bank Limited

We have reviewed the Basel Pillar III disclosure of Investec Bank Limited at and for the year ended 31 March 2016, and the related narrative commentary that supplements the quantitative information provided in this report, as set out on pages 11 to 117 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 in accordance with the revised Pillar III disclosure requirements issued by the Basel Committee on Banking Supervision, and for such internal control as the directors determine is necessary to enable the preparation of the Basel Pillar III disclosure 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 the preparation of the Basel Pillar III disclosure.

Auditors' responsibility

Our responsibility is to report on the Basel Pillar III disclosure and to express a conclusion on the disclosure 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 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 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, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Basel Pillar III disclosure of Investec Bank Limited at and for the year ended 31 March 2016 is not prepared, in all material respects, in accordance with the revised Pillar III disclosure requirements issued by the Basel Committee on Banking Supervision.

Ernst + Young Inc.

Ernst & Young Inc.

Registered Auditor

Per Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Director

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KPMG Inc.

Registered Auditor

Per Peter MacDonald
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Three

Risk management

Group Risk Management objectives are to:

- Be the custodian of adherence to our risk management culture
- Ensure the business operates within the board-stated risk appetite
- Support the long-term sustainability of the group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Run appropriate risk committees, as mandated by the board.

Qualitative and selected quantitative disclosures related to risk

The following risk management section is an extract from the published financial statements of Investec Bank Limited and is the basis in which the group analyses risk tolerance/appetite in relation to its main activities and all significant risks.

Information provided in this section of the Pillar III report incorporates risk disclosures in line with the requirements of IFRS 7, disclosures on capital as required by IAS 1 and existing Pillar III disclosures as required by regulation 43 of the Regulations.

Quantitative risk disclosures, as required by the revised Pillar III disclosure templates, are disclosed in section 4. Qualitative disclosures are disclosed separately from the quantitative disclosures, as it provides the most meaningful basis in which the group analyses risk in relation to its main activities and all significant risks.

Refer to pages 113 to 117 for the map of required qualitative disclosures and the relevant page reference in this document of where the disclosures can be found.

Philosophy and approach to risk management

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

Risk awareness, control and compliance are embedded in all our day-to-day activities. A strong risk and capital management culture is embedded into our values.

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.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group.

Risk Management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives, continually seeking new ways to enhance techniques.

We believe that the risk management systems and processes we have in place are adequate to support our strategy and allow the group to operate within its risk appetite tolerance.

Overall summary of the year in review from a risk perspective

Executive management is intimately involved in ensuring stringent management of risk, liquidity, capital and conduct. We continue to seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests.

Notwithstanding a challenging and uncertain environment experienced, the group was able to maintain sound risk metrics throughout the year in review. The group remained within the majority of its risk appetite limits/targets across the various risk disciplines.

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

Credit risk

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

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

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 15.8% of the book, other lending collateralised by property 3.2%, high net worth and private client lending 47.0% and corporate lending 34.0% (with most industry concentrations well below 5.0%). Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet, showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book.

Net core loans and advances grew by 21.2% to R215 billion at 31 March 2016 with residential owner-occupied, private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

We reported an increase in the level of impairments taken, but remain comfortable with the overall performance of the book, as the credit loss ratio amounts to 0.26% and defaults (net of impairments but before collateral) are 1.06% of our book. The increase in interest rates has had little impact on the performance of our book to date, as our target market is less sensitive to the moderate interest rate moves incurred to date. We will, however, monitor our portfolio in light of the increasing interest rate environment. The group has minimal exposure to the agriculture sector in South Africa, and our overall on and off-balance sheet exposure to mining and resources amounts to 3.4% of our credit and counterparty exposures. Given the weaker growth outlook in South Africa, it is likely that defaults could increase, although we would still expect our credit loss ratio to remain within our long-term trend of 30bps to 40bps.

Investment risk

Our investment portfolios delivered a sound performance. During the year we transferred a sizeable portion of our unlisted investments portfolio to an investment vehicle called Investec Equity Partners (IEP) in which we retain a 45% interest. With the backing of external strategic investors, we believe that IEP is better positioned to deliver value from, and grow this portfolio. Overall, we remain comfortable with the performance of our equity investment portfolios which comprise 2.92% of total assets.

Traded market risk

Proprietary market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.4% of total operating income.

We continue to manage a very low level of market risk with 95% one-day VaR at R4.2 million at 31 March 2016. Trading conditions have remained challenging. Markets have been very volatile while the lack of liquidity has continued. Investec remains focused on facilitating the near-term demand of our clients. The equity derivatives business has continued to grow their synthetic product offering to a diversified client base. All trading areas have kept market risk exposures at low levels throughout the year.

Balance sheet and liquidity risk

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth. Cash and near cash balances amounted to R125 billion at year end, representing 37.6% of our liability base.

Surplus cash balances increased significantly, as we remained conservative given the volatility in the markets. We ended the year with the three-month average of Investec Bank Limited's (solo) LCR at 117.3%, which is well ahead of the minimum levels required. We were successful in raising two to three year term USD funding at levels last witnessed over five years ago. The bank's long-term USD liquidity position is very positive and places us in a strong position ahead of any concern over South Africa's heightened risk of a credit rating downgrade. Our USD funding merely augments our surplus cash balances, and core loans and advances are fully funded from domestic deposits, with our loan to deposit ratio (excluding USD funding) at 74.1%.

Total customer deposits increased by 26.4% from 1 April 2015 to R280 billion at 31 March 2016.

Capital management

Investec has continued to maintain a sound balance sheet with a low gearing ratio of 12.6 times and a core loans to equity ratio of 6.8 times. Our current leverage ratio is 7.3%.

We have always held capital 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%. Our capital ratios did decline somewhat over the period as a result of solid growth in our credit risk-weighted assets during the year. Capital however, continued to grow and we are comfortable that credit growth is in line with our risk appetite framework and supported by sound risk metrics. We believe that a common equity tier 1 ratio in excess of 10% is appropriate for our business, given our high leverage ratios and we will continue to build our business in a manner that maintains this target.

Conduct, operational and reputational risk

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. During the year a customer and market conduct committee was established, with the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.

Financial and cyber crime remain high priorities, and Investec continually aims to strengthen its systems and controls in order to meet its regulatory obligations to combat money laundering, bribery and corruption.

Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the bank's key 'vulnerabilities under stress'. A fundamental part of the stress testing process is a full and comprehensive analysis of all the group's material business activities, incorporating views from risk, the business and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the Investec-specific stress scenarios are designed to specifically test the unique attributes of the group's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios have been developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the group. This process allows the group to identify underlying risks and manage them accordingly.

During the year, the bank continued to enhance its stress testing framework. Given the volatility and uncertainty in the market, a number of new stress scenarios were incorporated into our processes. These included, for example, the events that unfolded in December 2015 (with the removal of Finance Minister Nene) and a sovereign rating downgrade of South Africa to below investment grade.

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

We were very pleased to receive a credit rating upgrade from Fitch during the period. We believe this rating upgrade is a reflection of the progress we have made over the past few years in simplifying and derisking our business, maintaining sound capital and high liquidity ratios, and managing credit risk metrics at tolerable levels.

Salient features

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

Year to 31 March	2016	2015
Total assets (R'million)	405 629	332 706
Total risk-weighted assets (R'million)	295 752	257 931
Total equity (R'million)	31 865	28 899
Net core loans and advances (R'million)	215 239	177 528
Cash and near cash (R'million)	124 907	88 691
Customer accounts (deposits) (R'million)	279 736	221 377
Gross defaults as a % of gross core loans and advances	1.48%	2.09%
Defaults (net of impairments) as a % of net core loans and advances	1.06%	1.46%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.26%	0.29%
Structured credit as a % of total assets	0.19%	1.33%
Banking book investment and equity risk exposures as a % of total assets	2.92%	3.39%
Level 3 (fair value assets) as a % of total assets	0.63%	1.96%
Traded market risk: one-day value at risk (R'million)	4.2	3.4
Core loans to equity ratio	6.8x	6.1x
Total gearing ratio**	12.6x	11.4x
Loans and advances to customers to customer deposits	74.1%	78.1%
Capital adequacy ratio	14.6%	15.4%
Tier 1 ratio	11.0%	11.4%
Common equity tier 1 ratio	10.6%	11.0%
Leverage ratio	7.3%	8.3%
Return on average assets#	0.92%	0.95%
Return on average risk-weighted assets#	1.23%	1.21%

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

Overall group risk appetite

The group has a number of board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. In addition, a number of committees and forums identify and manage risk at a group level. The group risk appetite statement and framework sets out the board's mandated risk appetite. The group risk appetite framework acts as a guide to determine the acceptable risk profile of the group by the owners of the group's capital. The group risk appetite statement ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The group risk appetite statement is a high-level, strategic framework that supplements and does not replace the detailed risk policy documents at each entity and geographic level. The group risk appetite framework is a function of business strategy, budget, and capital processes, our stress testing reviews and the regulatory and economic environment in which the group is operating. The group risk appetite framework is reviewed (in light of the above aspects) and approved at least annually or as business needs dictate. A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the group risk and capital committee and the board risk and capital committee.

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

Risk appetite and tolerance metrics	Positioning at 31 March 2016
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities for Investec Limited contributed 44% to total operating income and capital intensive activities contributed 56%
• We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 74.1% of total operating income
• We seek to maintain strict control over fixed costs and target a group cost to income ratio of below 65%	The cost to income ratio amounted to 53.3%
• We aim to build a sustainable business generating sufficient return to shareholders over the longer term, and target a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The return on equity for the Investec group amounted to 11.5% and our return on risk-weighted assets amounted to 1.34%
• We are a low leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target; refer to page 70 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0%	We meet our capital targets; refer to page 70 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 geographies (i.e. South Africa and Mauritius). The bank will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography	See page 31 for a breakdown of our exposures per geographical distrubition
• The level of defaults and impairments continues to improve and we target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/stressed scenario)	The credit loss charge on core loans amounted to 0.26% and defaults net of impairments amounted to 1.06% of total core loans. Refer to page 32 for further information
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to R125 billion representing 44.7% of customer deposits. Refer to page 52 for further information
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million	We meet these internal limits; refer to page 46 for further information
• We have moderate appetite for investment risk, and set a risk tolerance of less than 15% of tier 1 capital for our unlisted principal investment portfolio (excluding IEP)	Our unlisted investment portfolio is R2 803 million, representing 8.7% of total tier 1 capital. Refer to page 42 for further information
• Our operational risk management team focuses on improving business performance and compliance with regulatory requirements through review, challenge and escalation	Refer to pages 61 to 64 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks.	Refer to pages 64 and 65 for further information

An overview of our principal risks

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

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below

For additional information pertaining to the management and monitoring of these risks, see the page references provided.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

12 – 14

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

See Investec Bank Limited's annual report 2016.

12 – 14

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

See Investec Bank Limited's annual report 2016.

17

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

17 – 40

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

18

Unintended **environmental, social and economic risks** could arise in our lending and investment activities.

41 – 43

We may be exposed to **investment risk** largely in our unlisted investment portfolio.

45 – 48

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

49 – 56

Liquidity risk may impair our ability to fund our operations.

56 – 58

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

61 – 64

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

61 – 64

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

61 – 64

Employee misconduct could cause harm that is difficult to detect.

64 – 65

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

64 – 65

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

65

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

65 – 71

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

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

See Investec's 2016 integrated annual report on our website.

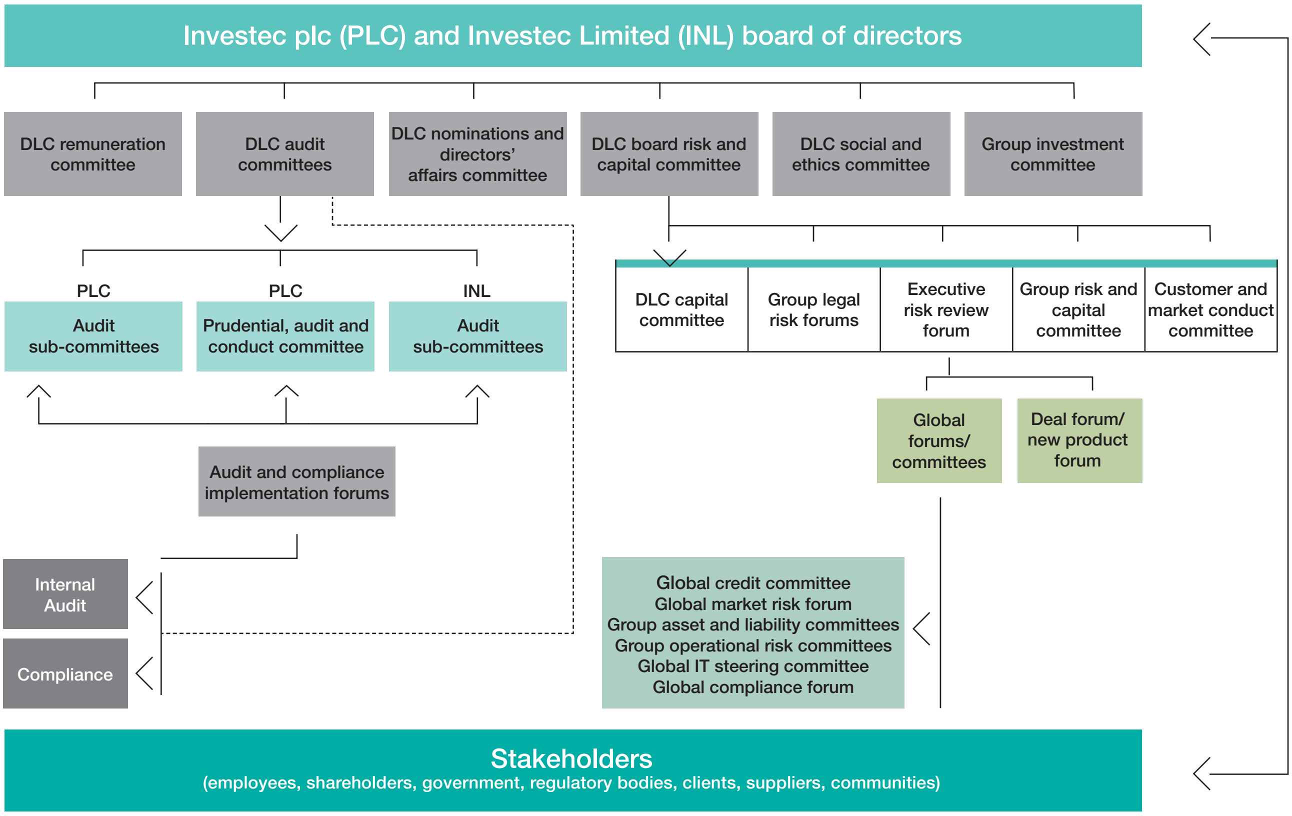
The sections that follow provide information on a number of these risk areas and how the group manages these risks.

Additional risks and uncertainties that are currently considered immaterial and not included in this report may in the future impact our business operations and financial performance.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at group level. These committees and forums operate together with Group Risk Management and are mandated by the board.

Governance framework



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 will 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. Our definition of a settlement debtor is a short-term receivable (i.e. less than five days) which is excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

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

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

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

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is no specific appetite for exposures outside of the group's pre-existing core geographies or product 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 local and global credit committees as well as investment committees and ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee, global investment committee or ERRF is responsible for approving country limits that are not within the mandate of local group credit committees.

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

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

CREDIT AND COUNTERPARTY RISK GOVERNANCE STRUCTURE

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

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

- Day-to-day arrears management and regular arrears forecast reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committees, which review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watchlist forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans for private clients. This forum also reviews and monitors counterparties who have been granted forbearance measures.

CREDIT AND COUNTERPARTY RISK APPETITE

There is a preference for primary exposure in the Investec group's main operating geographies (i.e. South Africa and the UK). The Investec group will accept exposures where it has a branch or local banking subsidiary (as explained above).

Our assessment of our clients and counterparties includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

We have little appetite for unsecured debt and require good quality collateral in support of obligations (refer to page 40 for further information).

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates must have scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow.

We are client-centric in our approach and originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship. Where we originate loans that are considered too large for our balance sheet, these may be sold down to mitigate our concentration risk.

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

CONCENTRATION RISK

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

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level by Group Risk Management, Group Lending Operations as well as the originating business units.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

RISK APPETITE

The board has set a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to the GRCC and BRCC 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 are agreed.

SUSTAINABILITY CONSIDERATIONS

Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment and includes our many corporate social investment activities and our funding and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, sustainability risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. There is also oversight by the social and ethics committee (board committee) on social and environmental issues. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

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

Refer to our sustainability report on our website.

MANAGEMENT AND MEASUREMENT OF CREDIT AND COUNTERPARTY RISK

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

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

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and at the GRCC and BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by Group Credit.

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

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 as support in our decision-making process. Within the credit approval process, internal and external ratings are included in the assessment of the client quality.

Internal credit rating models continue to be developed to cover all material asset classes. The internal ratings are incorporated in the risk management and decision-making process and are used in credit assessment, monitoring and approval as well as pricing.

Exposures are classified to reflect the bank's risk appetite and strategy. In our

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

S&P, Moody's and Global Credit Ratings have been nominated as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings. The following elections have been made:

- In relation to sovereigns and securitisations, Moody's, S&P and Global Credit Ratings have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities Moody's and S&P are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

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

CREDIT AND COUNTERPARTY RISK – NATURE OF LENDING ACTIVITIES

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

Lending collateralised by property

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

We provide senior debt and other funding for property transactions, with a strong preference for income-producing assets supported by an experienced sponsor providing a material level of cash equity investment into the asset.

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 38 and 39.

Private client activities

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

Lending products are tailored to meet the requirements of our clients. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been grouped and defined to include high net worth clients (who, through diversification of income streams, will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- **Personal Banking** delivers products to enable target clients to create and manage their wealth. This includes private client mortgages, transactional banking, high net worth lending, offshore banking and foreign exchange
- **Residential Mortgages** provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- **Specialised Lending** provides tailored credit facilities to high net worth individuals and their controlled entities.

An analysis of the private client loan portfolio and asset quality information is provided on pages 38 and 39.

Corporate client activities

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

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

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

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

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

- **Corporate Loans:** provides senior secured loans to mid-to-large cap companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business based on historic and forecast information. We typically act as transaction lead or arranger, and have a close relationship with management and the sponsor.
- **Corporate Debt Securities:** these are tradable corporate debt instruments, purchased based on acceptable credit fundamentals typically with a medium-term hold strategy where the underlying risk is to South African corporates. This is a highly diversified, granular portfolio that is robust, and spread across a variety of geographies and industries.
- **Acquisition Finance:** provides debt funding to proven management teams, running small to mid-cap sized companies. Credit risk is assessed against debt service coverage from the

robustness of the cash generation of the business. This will be based on historic and forecast information. We typically lend on a bilateral basis and benefit from a close relationship with management.

- **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, plant and machinery. In common with our corporate lending activities, strong emphasis is placed on backing companies with scale and relevance to their industry, stability of cash flow, and experienced management.
- **Small Ticket Asset Finance:** provides highly diversified lending to small and medium-sized corporates to support asset purchases and other business requirements. These facilities are secured against the asset being financed and are a direct obligation of the company.
- **Large Ticket Asset Finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure.
- **Power and Infrastructure Finance:** arranges and provides typically long-term financing for infrastructure assets, in particular renewable power projects and transport, against contracted future cash flows of the project(s) from recognised utilities and power companies as well as the balance sheet of the corporate. There is a strong equity contribution from an experienced sponsor.
- **Resource Finance:** debt arranging and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in South Africa. All facilities are secured by the borrower's assets and repaid from mining cash flows.
- **Structured Credit:** these are bonds secured against a pool of assets, typically UK residential mortgages or European. The bonds are mainly investment grade rated, which benefit from a high-level of credit subordination and can withstand a significant level of portfolio defaults.
- **Treasury Placements:** The treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short term (less than one month) money market placements or secured repurchase agreements. These market counterparties are high investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets.
- **Corporate advisory and investment banking activities:** Counterparty risk in this area is modest. The business also trades approved shares on an approved basis. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.
- **Customer trading activities to facilitate client lending:** Our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have a sizeable exposure to foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked to market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 38 and 39.

ASSET QUALITY ANALYSIS – CREDIT RISK CLASSIFICATION AND PROVISIONING POLICY

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

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

ASSET QUALITY ANALYSIS – CREDIT RISK CLASSIFICATION AND PROVISIONING POLICY *(continued)*

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

CREDIT RISK MITIGATION

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

As Investec has a limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.

An analysis of collateral is provided on page 40.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property; its location; and the ease with which the property could be re-let and/or resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum 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.

Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

The second primary collateral in private client lending transactions is over a high net worth individual's investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value ratios after considering the quality, diversification, risk profile and liquidity of the portfolio.

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

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. The primary market standard legal documents that govern this include the International Swaps and Derivatives Association Master Agreements (ISDA), Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with all market and trading counterparties in over-the-counter (OTC) derivatives, a Credit Support Annex (CSA) ensures that all 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.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques.

Further information on credit derivatives is provided on page 48.

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

For regulatory reporting purposes, exposures may be reduced by eligible collateral. Under the standardised approach credit risk mitigation can be achieved through either funded or unfunded credit protection. Where unfunded credit protection is relied upon for mitigation purposes, the exposure to the borrower is substituted with an exposure to the protection provider, after applying a 'haircut' to the value of the collateral due to currency and/or maturity mismatches between the original exposure and the collateral provided. Unfunded credit protection includes eligible guarantees and credit derivatives. Where we rely on funded protection in the form of financial collateral, the value of collateral is adjusted using the financial collateral comprehensive method. This method applies supervisory volatility adjustments to the value of the collateral, and includes the currency and maturity haircuts discussed above.

CREDIT AND COUNTERPARTY RISK – YEAR IN REVIEW

The financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk.

Further information is provided in the financial review on pages 12 to 20 in Investec Bank Limited's 2016 annual report.

Core loans and advances grew by 21.2% to R215 billion with residential owner-occupied, private client lending, corporate and public sector portfolios representing the majority of the growth for the financial year in review.

The current macro-economic environment remains challenging and volatile with competitive pressure on margins. We have maintained a conservative lending approach. Our lending appetite is based on a client-centric approach with a strong focus on client cash flows underpinned by tangible collateral.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.46% to 1.06% as a result of write-offs and settlements.

Defaults for the lending collateralised by property portfolio declined year on year. These defaults are mostly related to historical residential land earmarked for developments and continue to be managed down. However, this process does take time as we continue to focus on maximising recoveries.

The credit loss ratio improved to 0.26% from 0.29% notwithstanding an increase in the impairment charge.

Lending collateralised by property
The majority of the property assets are commercial investment properties and are located in South Africa. This portfolio grew by 10.2% during the year, in line with our risk appetite framework. Loans to values remain conservative and transactions are supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

Private client activities
We have seen continued growth in our private client portfolio and client base as we actively focus on increasing our positioning in this space.

Our high net worth client portfolio and residential mortgage book growth in particular has been encouraging with a total increase of 28.6% over the year.

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

Corporate client activities
The overall portfolio continues to perform well and increased mainly as a result of increased exposure to a mix of corporate clients (mid to large) and continued funding requests from SOEs (government guaranteed).

Credit and counterparty risk information

Pages 17 to 40 in our annual report describe where and how credit risk is assumed in our operations.

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

AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES

Credit and counterparty exposures increased by 18.8% to R445 billion largely due to growth in loans and advances to customers and cash and near cash balances. Cash and near cash balances amount to R125 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.

Year to 31 March R'million	2016	2015	% change	Average*
Cash and balances at central banks	7 801	6 261	24.6%	7 031
Loans and advances to banks	26 779	33 422	(19.9%)	30 101
Non-sovereign and non-bank cash placements	9 858	10 540	(6.5%)	10 199
Reverse repurchase agreements and cash collateral on securities borrowed	38 912	10 095	> 100%	24 503
Sovereign debt securities	41 325	31 378	31.7%	36 352
Bank debt securities	13 968	17 332	(19.4%)	15 650
Other debt securities	12 761	12 749	0.1%	12 755
Derivative financial instruments	10 756	14 879	(27.7%)	12 818
Securities arising from trading activities	539	1 018	(47.1%)	778
Loans and advances to customers (gross)	208 182	174 132	19.6%	191 157
Own originated loans and advances to customers securitised (gross)	7 973	4 537	75.7%	6 255
Other loans and advances (gross)	398	490	(18.8%)	444
Other assets	2 169	13	> 100%	1 091
Total on-balance sheet exposures	**381 421**	**316 846**	**20.4%**	**349 134**
Guarantees^	17 767	14 551	22.1%	16 159
Contingent liabilities, committed facilities and other	46 159	43 480	6.2%	44 820
Total off-balance sheet exposures	**63 926**	**58 031**	**10.2%**	**60 979**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**445 347**	**374 877**	**18.8%**	**410 112**

* *Where the average is based on a straight-line average for the period 1 April 2015 to 31 March 2016.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

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

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

At 31 March 2016 R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
Cash and balances at central banks	7 801	–		7 801
Loans and advances to banks	26 779	–		26 779
Non-sovereign and non-bank cash placements	9 858	–		9 858
Reverse repurchase agreements and cash collateral on securities borrowed	38 912	–		38 912
Sovereign debt securities	41 325	–		41 325
Bank debt securities	13 968	–		13 968
Other debt securities	12 761	–		12 761
Derivative financial instruments	10 756	5 087		15 843
Securities arising from trading activities	539	453		992
Investment portfolio	–	6 360	1	6 360
Loans and advances to customers	208 182	(910)	2	207 272
Own originated loans and advances to customers securitised	7 973	(6)	2	7 967
Other loans and advances	398	(31)	2	367
Other securitised assets	–	115	3	115
Interest in associated undertakings	–	5 145	1	5 145
Deferred taxation assets	–	116		116
Other assets	2 169	1 487	4	3 656
Property and equipment	–	236		236
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	524		524
Loans to group companies	–	5 460		5 460
Non-current assets classified as held for sale	–	–		–
Total on-balance sheet exposures	**381 421**	**24 208**		**405 629**

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

A further analysis of our on-balance sheet credit and counterparty exposures *(continued)*

At 31 March 2016 R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
Cash and balances at central banks	6 261	–		6 261
Loans and advances to banks	33 422	–		33 422
Non-sovereign and non-bank cash placements	10 540	–		10 540
Reverse repurchase agreements and cash collateral on securities borrowed	10 095	–		10 095
Sovereign debt securities	31 378	–		31 378
Bank debt securities	17 332	–		17 332
Other debt securities	12 749	–		12 749
Derivative financial instruments	14 879	299		15 178
Securities arising from trading activities	1 018	271		1 289
Investment portfolio	–	9 972	1	9 972
Loans and advances to customers	174 132	(1 139)	2	172 993
Own originated loans and advances to customers securitised	4 537	(2)	2	4 535
Other loans and advances	490	(18)	2	472
Other securitised assets	–	618	3	618
Interest in associated undertakings	–	60		60
Deferred taxation assets	–	88		88
Other assets	13	1 249	4	1 262
Property and equipment	–	192		192
Investment properties	–	80		80
Intangible assets	–	190		190
Loans to group companies	–	3 268		3 268
Non-current assets (or disposal groups) classified as held for sale	–	732		732
Total on-balance sheet exposures	**316 846**	**15 860**		**332 706**

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

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 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
2016						
Cash and balances at central banks	–	–	–	–	7 801	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	–	–	102	562
Reverse repurchase agreements and cash collateral on securities borrowed	623	–	–	–	–	151
Sovereign debt securities	–	–	–	–	41 325	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	98	2 686	–
Derivative financial instruments	–	–	36	205	–	156
Securities arising from trading activities	–	–	–	7	330	–
Loans and advances to customers (gross)	93 596	41 077	2 256	4 809	6 377	8 908
Own originated loans and advances to customers securitised (gross)	7 973	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	1	–	–	2
Total on-balance sheet exposures	**102 192**	**41 077**	**2 293**	**5 119**	**58 621**	**9 779**
Guarantees^	3 536	842	–	990	1 917	30
Contingent liabilities, committed facilities and other	24 845	2 265	432	814	309	782
Total off-balance sheet exposures	**28 381**	**3 107**	**432**	**1 804**	**2 226**	**812**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**130 573**	**44 184**	**2 725**	**6 923**	**60 847**	**10 591**
2015						
Cash and balances at central banks	–	–	–	–	6 261	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	–	–	–	544
Reverse repurchase agreements and cash collateral on securities borrowed	579	–	–	971	–	71
Sovereign debt securities	–	–	–	–	31 378	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	1 097	–	–
Derivative financial instruments	90	–	10	368	–	178
Securities arising from trading activities	–	–	–	6	270	165
Loans and advances to customers (gross)	74 466	38 031	869	4 794	1 004	6 777
Own originated loans and advances to customers securitised (gross)	4 537	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total on-balance sheet exposures	**79 672**	**38 031**	**879**	**7 236**	**38 913**	**7 735**
Guarantees^	3 805	1 501	–	565	1 333	109
Contingent liabilities, committed facilities and other	25 594	5 388	464	2 243	213	656
Total off-balance sheet exposures	**29 399**	**6 889**	**464**	**2 808**	**1 546**	**765**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**109 071**	**44 920**	**1 343**	**10 044**	**40 459**	**8 500**

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

Finance and insurance	Retailers and whole-salers	Manufac-turing and commerce	Construc-tion	Corporate commer-cial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	–	7 801
26 779	–	–	–	–	–	–	–	–	–	26 779
3 337	1 781	1 469	211	–	–	1 581	–	312	503	9 858
37 389	–	675	–	–	–	–	–	74	–	38 912
–	–	–	–	–	–	–	–	–	–	41 325
13 968	–	–	–	–	–	–	–	–	–	13 968
3 137	–	658	–	–	–	2 509	–	–	3 673	12 761
8 876	252	203	–	676	–	159	21	83	89	10 756
83	–	16	–	–	–	–	–	103	–	539
11 977	2 378	10 128	3 424	6 251	–	4 682	1 819	4 071	6 429	208 182
–	–	–	–	–	–	–	–	–	–	7 973
–	–	–	–	–	398	–	–	–	–	398
484	1 556	92	3	–	–	–	20	–	11	2 169
106 030	**5 967**	**13 241**	**3 638**	**6 927**	**398**	**8 931**	**1 860**	**4 643**	**10 705**	**381 421**
8 168	62	136	–	11	–	1 822	–	65	188	17 767
5 924	1 664	1 142	222	100	–	4 514	3	2 208	935	46 159
14 092	**1 726**	**1 278**	**222**	**111**	**–**	**6 336**	**3**	**2 273**	**1 123**	**63 926**
120 122	**7 693**	**14 519**	**3 860**	**7 038**	**398**	**15 267**	**1 863**	**6 916**	**11 828**	**445 347**
–	–	–	–	–	–	–	–	–	–	6 261
33 422	–	–	–	–	–	–	–	–	–	33 422
3 527	1 769	2 189	350	–	–	479	–	1 209	473	10 540
7 521	–	865	–	–	–	–	–	88	–	10 095
–	–	–	–	–	–	–	–	–	–	31 378
17 332	–	–	–	–	–	–	–	–	–	17 332
6 212	1	–	–	–	–	2 268	–	956	2 215	12 749
12 470	126	575	2	711	–	276	15	40	18	14 879
299	–	165	–	–	–	26	–	87	–	1 018
8 602	2 140	9 505	2 749	6 441	–	4 010	1 605	7 088	6 051	174 132
–	–	–	–	–	–	–	–	–	–	4 537
–	–	–	–	–	490	–	–	–	–	490
13	–	–	–	–	–	–	–	–	–	13
89 398	**4 036**	**13 299**	**3 101**	**7 152**	**490**	**7 059**	**1 620**	**9 468**	**8 757**	**316 846**
3 906	800	843	–	1	–	1 640	–	16	32	14 551
3 569	364	392	170	263	–	1 800	65	1 553	746	43 480
7 475	**1 164**	**1 235**	**170**	**264**	**–**	**3 440**	**65**	**1 569**	**778**	**58 031**
96 873	**5 200**	**14 534**	**3 271**	**7 416**	**490**	**10 499**	**1 685**	**11 037**	**9 535**	**374 877**

Private client loans account for 66.0% of total gross core loans and advances, as represented by the industry classification 'high net worth and professional individuals and lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending and lending collateralised by property we undertake is provided on page 19, and a more detailed analysis of these loan portfolios are provided on pages 38 and 39.

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

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

A description of the type of corporate client lending we undertake is provided on pages 19 and 20, and a more detailed analysis of the corporate client loan portfolio is provided on pages 38 and 39.

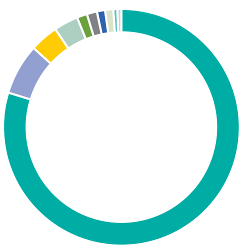
At 31 March R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	2016	2015	2016	2015	2016	2015
High net worth and professional individuals	101 569	79 003	29 004	30 068	130 573	109 071
Lending collateralised by property – largely to private clients	41 077	38 031	3 107	6 889	44 184	44 920
Agriculture	2 256	869	469	474	2 725	1 343
Electricity, gas and water (utility services)	4 809	4 794	2 114	5 250	6 923	10 044
Public and non–business services	6 377	1 004	54 470	39 455	60 847	40 459
Business services	8 908	6 777	1 683	1 723	10 591	8 500
Finance and insurance	11 977	8 602	108 145	88 271	120 122	96 873
Retailers and wholesalers	2 378	2 140	5 315	3 060	7 693	5 200
Manufacturing and commerce	10 128	9 505	4 391	5 029	14 519	14 534
Construction	3 424	2 749	436	522	3 860	3 271
Corporate commercial real estate	6 251	6 441	787	975	7 038	7 416
Other residential mortgages	–	–	398	490	398	490
Mining and resources	4 682	4 010	10 585	6 489	15 267	10 499
Leisure, entertainment and tourism	1 819	1 605	44	80	1 863	1 685
Transport	4 071	7 088	2 845	3 949	6 916	11 037
Communication	6 429	6 051	5 399	3 484	11 828	9 535
Total	**216 155**	**178 669**	**229 192**	**196 208**	**445 347**	**374 877**

Gross credit counterparty exposures by residual contractual maturity at 31 March 2016

At 31 March 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	7 801	–	–	–	–	–	7 801
Loans and advances to banks	24 922	147	369	1 341	–	–	26 779
Non-sovereign and non-bank cash placements	9 858	–	–	–	–	–	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	26 865	283	7 484	3 591	689	–	38 912
Sovereign debt securities	7 144	10 446	4 689	5 832	7 645	5 569	41 325
Bank debt securities	1 472	1 834	2 078	6 898	1 482	204	13 968
Other debt securities	1 073	–	–	4 954	6 608	126	12 761
Derivative financial instruments	3 642	1 453	850	2 711	2 100	–	10 756
Securities arising from trading activities	154	2	–	79	304	–	539
Loans and advances to customers (gross)	16 594	8 844	15 372	102 216	22 192	42 964	208 182
Own originated loans and advances to customers securitised (gross)	6	–	–	40	306	7 621	7 973
Other loans and advances (gross)	–	–	–	398	–	–	398
Other assets	2 169	–	–	–	–	–	2 169
Total on-balance sheet exposures	**101 700**	**23 009**	**30 842**	**128 060**	**41 326**	**56 484**	**381 421**
Guarantees^	5 190	537	560	9 699	1 315	466	17 767
Contingent liabilities, committed facilities and other	12 943	389	2 804	13 837	2 215	13 971	46 159
Total off-balance sheet exposures	**18 133**	**926**	**3 364**	**23 536**	**3 530**	**14 437**	**63 926**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**119 833**	**23 935**	**34 206**	**151 596**	**44 856**	**70 921**	**445 347**

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

GROSS ON BALANCE SHEET EXPOSURE BY GEOGRAPHY



80.04%	South Africa
6.80%	United Kingdom
4.03%	Europe (excluding UK)
3.18%	North America
1.42%	Australia
1.40%	Africa (excluding RSA and Mauritius)
1.23%	Mauritius
0.99%	Europe (Non-EU)
0.74%	Asia
0.16%	Other

An analysis of our core loans and advances, asset quality and impairments

Core loans and advances comprise:

- Loans and advances to customers as per the balance sheet
- Own originated loans and advances to customers securitised as per the balance sheet.

At 31 March R'million	2016	2015
Loans and advances to customers as per the balance sheet	207 272	172 993
Add: own originated loans and advances to customers securitised as per the balance sheet	7 967	4 535
Net core loans and advances to customers	**215 239**	**177 528**

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

An overview of developments during the financial year is provided on page 24.

At 31 March R'million	2016	2015
Gross core loans and advances to customers	**216 155**	**178 669**
Total impairments	**(916)**	**(1 141)**
Specific impairments	(681)	(971)
Portfolio impairments	(235)	(170)
Net core loans and advances to customers	**215 239**	**177 528**
Average gross core loans and advances to customers	**197 412**	**165 652**
Current loans and advances to customers	211 807	173 775
Past due loans and advances to customers (1 – 60 days)	726	505
Special mention loans and advances to customers	415	660
Default loans and advances to customers	3 207	3 729
Gross core loans and advances to customers	**216 155**	**178 669**
Current loans and advances to customers	211 807	173 775
Default loans that are current and not impaired	867	787
Gross core loans and advances to customers that are past due but not impaired	1 653	1 720
Gross core loans and advances to customers that are impaired	1 828	2 387
Gross core loans and advances to customers	**216 155**	**178 669**
Total income statement charge for impairments on core loans and advances	**(523)**	**(482)**
Gross default loans and advances to customers	3 207	3 729
Specific impairments	(681)	(971)
Portfolio impairments	(235)	(170)
Defaults net of impairments	**2 291**	**2 588**
Aggregate collateral and other credit enhancements on defaults	3 690	3 717
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.42%	0.64%
Total impairments as a % of gross default loans	28.56%	30.60%
Gross defaults as a % of gross core loans and advances to customers	1.48%	2.09%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.06%	1.46%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.26%	0.29%

RISK MANAGEMENT

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

At 31 March R'million	2016	2015
Default loans that are current	1 921	1 533
1 – 60 days	1 273	1 448
61 – 90 days	94	144
91 – 180 days	301	253
181 – 365 days	110	194
> 365 days	649	1 322
Past due and default core loans and advances to customers (actual capital exposure)	**4 348**	**4 894**
1 – 60 days	258	543
61 – 90 days	12	36
91 – 180 days	125	130
181 – 365 days	30	147
> 365 days	337	962
Past due and default core loans and advances to customers (actual amount in arrears)	**762**	**1 818**

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

At 31 March R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	867	–	–	–	–	–	867
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 117	70	213	68	185	1 653
Amount in arrears	–	254	6	104	14	140	518
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 054	156	24	88	42	464	1 828
Amount in arrears	–	4	6	21	16	197	244
2015							
Watchlist loans neither past due nor impaired							
Total capital exposure	787	–	–	–	–	–	787
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 030	104	173	128	285	1 720
Amount in arrears	–	389	32	108	94	172	795
Gross core loans and advances to customers that are impaired							
Total capital exposure	746	418	40	80	66	1 037	2 387
Amount in arrears	–	154	4	22	53	790	1 023

An age analysis of past due and default core loans and advances to customers at 31 March 2016 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**726**	**–**	**–**	**–**	**–**	**726**
Special mention	**–**	**323**	**64**	**14**	**10**	**4**	**415**
Special mention (1 – 90 days)	–	323	9	14*	10*	4*	360
Special mention (61 – 90 days and item well secured)	–	–	55	–	–	–	55
Default	**1 921**	**224**	**30**	**287**	**100**	**645**	**3 207**
Sub-standard	868	66	6	200	58	181	1 379
Doubtful	1 053	158	24	87	42	464	1 828
Total	**1 921**	**1 273**	**94**	**301**	**110**	**649**	**4 348**

An age analysis of past due and default core loans and advances to customers at 31 March 2016 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**59**	**–**	**–**	**–**	**–**	**59**
Special mention	**–**	**157**	**5**	**1**	**1**	**1**	**165**
Special mention (1 – 90 days)	–	157	–	1*	1*	1*	160
Special mention (61 – 90 days and item well secured)	–	–	5	–	–	–	5
Default	**–**	**42**	**7**	**124**	**29**	**336**	**538**
Sub-standard	–	38	–	103	13	139	293
Doubtful	–	4	7	21	16	197	245
Total	**–**	**258**	**12**	**125**	**30**	**337**	**762**

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

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**505**	**–**	**–**	**–**	**–**	**505**
Special mention	**–**	**490**	**76**	**19**	**34**	**41**	**660**
Special mention (1 – 90 days)	–	490	2	19*	34*	41*	586
Special mention (61 – 90 days and item well secured)	–	–	74	–	–	–	74
Default	**1 533**	**453**	**68**	**234**	**160**	**1 281**	**3 729**
Sub-standard	787	36	28	155	94	244	1 344
Doubtful	746	417	40	79	66	1 037	2 385
Total	**1 533**	**1 448**	**144**	**253**	**194**	**1 322**	**4 894**

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**49**	**–**	**–**	**–**	**–**	**49**
Special mention	**–**	**340**	**19**	**6**	**26**	**26**	**417**
Special mention (1 – 90 days)	–	340	–	6*	26*	26*	398
Special mention (61 – 90 days and item well secured)	–	–	19	–	–	–	19
Default	**–**	**154**	**17**	**124**	**121**	**936**	**1 352**
Sub-standard	–	1	12	102	68	146	329
Doubtful	–	153	5	22	53	790	1 023
Total	**–**	**543**	**36**	**130**	**147**	**962**	**1 818**

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

An analysis of core loans and advances to customers

At 31 March R'million	Gross core loans and advances neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
2016								
Current core loans and advances	211 807	–	–	211 807	–	(231)	211 576	–
Past due (1 – 60 days)	–	726	–	726	–	(3)	723	59
Special mention	–	415	–	415	–	(1)	414	165
Special mention (1 – 90 days)	–	360	–	360	–	(1)	359	160
Special mention (61 – 90 days and item well secured)	–	55	–	55	–	–	55	5
Default	867	512	1 828	3 207	(681)	–	2 526	538
Sub-standard	867	512	–	1 379	–	–	1 379	293
Doubtful	–	–	1 828	1 828	(681)	–	1 147	245
Total	212 674	1 653	1 828	216 155	(681)	(235)	215 239	762
2015								
Current core loans and advances	173 775	–	–	173 775	–	(159)	173 616	–
Past due (1 – 60 days)	–	505	–	505	–	(3)	502	49
Special mention	–	660	–	660	–	(8)	652	417
Special mention (1 – 90 days)	–	586	–	586	–	(7)	579	398
Special mention (61 – 90 days and item well secured)	–	74	–	74	–	(1)	73	19
Default	787	555	2 387	3 729	(971)	–	2 758	1 352
Sub-standard	787	555	2	1 344	–	–	1 344	329
Doubtful	–	–	2 385	2 385	(971)	–	1 414	1 023
Total	174 562	1 720	2 387	178 669	(971)	(170)	177 528	1 818

An analysis of core loans and advances to customers and impairments by counterparty type

At 31 March R'million	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
2016						
Current core loans and advances	**139 227**	**49 350**	**11 925**	**6 363**	**4 942**	**211 807**
Past due (1 – 60 days)	**546**	**100**	**–**	**–**	**80**	**726**
Special mention	**402**	**–**	**–**	**–**	**13**	**415**
Special mention (1 – 90 days)	360	–	–	–	–	360
Special mention (61 – 90 days and item well secured)	42	–	–	–	13	55
Default	**2 471**	**505**	**52**	**14**	**165**	**3 207**
Sub-standard	1 310	–	52	14	3	1 379
Doubtful	1 161	505	–	–	162	1 828
Total gross core loans and advances to customers	**142 646**	**49 955**	**11 977**	**6 377**	**5 200**	**216 155**
Total impairments	**(495)**	**(270)**	**(4)**	**(4)**	**(143)**	**(916)**
Specific impairments	(306)	(232)	–	–	(143)	(681)
Portfolio impairments	(189)	(38)	(4)	(4)	–	(235)
Net core loans and advances to customers	**142 151**	**49 685**	**11 973**	**6 373**	**5 057**	**215 239**
2015						
Current core loans and advances	**113 153**	**47 598**	**8 602**	**933**	**3 489**	**173 775**
Past due (1 – 60 days)	**453**	**–**	**–**	**–**	**52**	**505**
Special mention	**633**	**24**	**–**	**–**	**3**	**660**
Special mention (1 – 90 days)	562	24	–	–	–	586
Special mention (61 – 90 days and item well secured)	71	–	–	–	3	74
Default	**2 795**	**692**	**–**	**71**	**171**	**3 729**
Sub-standard	1 277	64	–	–	3	1 344
Doubtful	1 518	628	–	71	168	2 385
Total gross core loans and advances to customers	**117 034**	**48 314**	**8 602**	**1 004**	**3 715**	**178 669**
Total impairments	**(652)**	**(363)**	**(4)**	**(7)**	**(115)**	**(1 141)**
Specific impairments	(519)	(331)	–	(6)	(115)	(971)
Portfolio impairments	(133)	(32)	(4)	(1)	–	(170)
Net core loans and advances to customers	**116 382**	**47 951**	**8 598**	**997**	**3 600**	**177 528**

An analysis of core loans and advances by risk category at 31 March 2016

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**41 077**	**971**	**1 156**	**(205)**	**(80)**
Commercial real estate	**37 677**	**501**	**666**	**(140)**	**(70)**
Commercial real estate – investment	34 179	366	482	(97)	(40)
Commercial real estate – development	2 385	31	24	(19)	(8)
Commercial vacant land and planning	1 113	104	160	(24)	(22)
Residential real estate	**3 400**	**470**	**490**	**(65)**	**(10)**
Residential real estate – development	1 668	194	217	(14)	(71)
Residential vacant land and planning	1 732	276	273	(51)	61
High net worth and other private client lending	**101 569**	**1 500**	**2 167**	**(290)**	**(283)**
Mortgages	54 493	495	839	(80)	(45)
High net worth and specialised lending	47 076	1 005	1 328	(210)	(238)
Corporate and other lending	**73 509**	**736**	**367**	**(421)**	**(160)**
Acquisition finance	14 664	329	286	(70)	(98)
Asset-based lending	5 211	165	56	(143)	(51)
Other corporate and financial institutions and governments	42 622	106	25	(60)	(19)
Asset finance	4 081	–	–	(12)	21
Small ticket asset finance	1 421	–	–	–	13
Large ticket asset finance	2 660	–	–	(12)	8
Project finance	6 424	–	–	–	123
Resource finance	507	136	–	(136)	(136)
Total	**216 155**	**3 207**	**3 690**	**(916)**	**(523)**

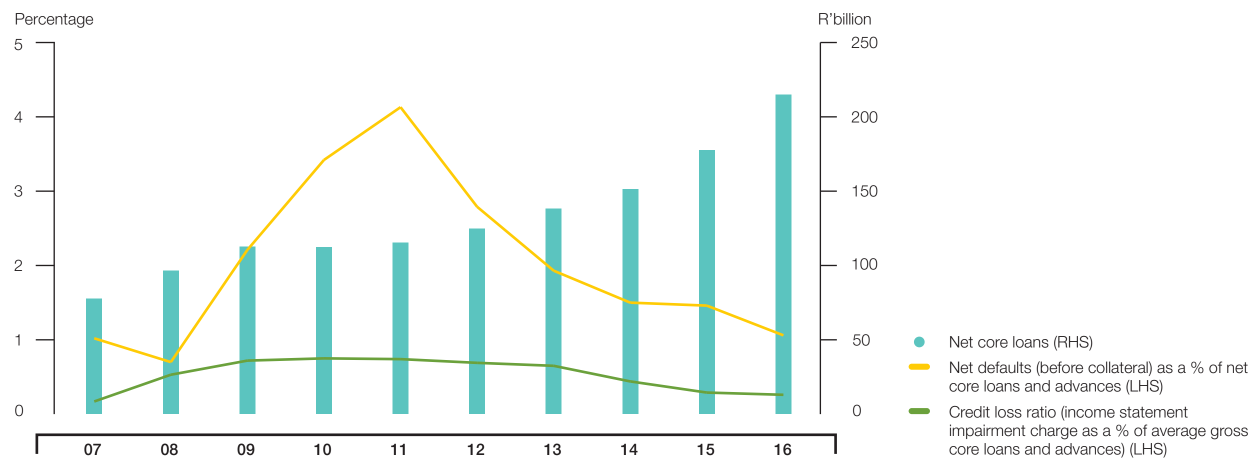
^ *Where a positive number represents a recovery.*

An analysis of core loans and advances by risk category at 31 March 2015

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**38 031**	**1 311**	**1 303**	**(430)**	**(179)**
Commercial real estate	**34 924**	**651**	**741**	**(251)**	**(144)**
Commercial real estate – investment	31 030	276	443	(93)	(38)
Commercial real estate – development	2 372	72	76	(7)	(4)
Commercial vacant land and planning	1 522	303	222	(151)	(102)
Residential real estate	**3 107**	**660**	**562**	**(179)**	**(35)**
Residential development	1 590	346	333	(52)	(1)
Residential vacant land and planning	1 517	314	229	(127)	(34)
High net worth and other private client lending	**79 003**	**1 484**	**1 897**	**(222)**	**(29)**
Mortgages	46 155	448	739	(71)	(6)
High net worth and specialised lending	32 848	1 036	1 158	(151)	(23)
Corporate other lending	**61 635**	**934**	**517**	**(489)**	**(274)**
Acquisition finance	16 303	481	313	(198)	(186)
Asset-based lending	3 717	170	117	(115)	(36)
Other corporate and financial institutions and governments	31 067	265	86	(127)	(56)
Asset finance	4 434	–	1	(31)	(21)
Small ticket asset finance	1 228	–	1	1	(16)
Large ticket asset finance	3 206	–	–	(32)	(5)
Project finance	5 597	18	–	(18)	25
Resource finance	517	–	–	–	–
Total	**178 669**	**3 729**	**3 717**	**(1 141)**	**(482)**

^ *Where a positive number represents a recovery.*

ASSET QUALITY TRENDS



COLLATERAL

A summary of total collateral is provided in the table below:

At 31 March R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
2016			
Eligible financial collateral	**33 841**	**24 555**	**58 396**
Listed shares	32 862	7 905	40 767
Cash	979	22	1 001
Debt securities issued by sovereigns	–	16 628	16 628
Property charge	**281 274**	**587**	**281 861**
Residential property	141 202	482	141 684
Commercial property developments	12 078	105	12 183
Commercial property investments	127 994	–	127 994
Other collateral	**54 733**	**1 354**	**56 087**
Unlisted shares	8 093	–	8 093
Charges other than property	10 940	–	10 940
Debtors, stock and other corporate assets	5 703	–	5 703
Guarantees	20 737	35	20 772
Other	9 260	1 319	10 579
Total collateral	**369 848**	**26 496**	**396 344**
2015			
Eligible financial collateral	**28 458**	**24 925**	**53 383**
Listed shares	25 567	12 288	37 855
Cash	713	8 242	8 955
Debt securities issued by sovereigns	2 178	4 395	6 573
Property charge	**218 022**	**760**	**218 782**
Residential property	106 774	666	107 440
Commercial property developments	7 245	94	7 339
Commercial property investments	104 003	–	104 003
Other collateral	**51 727**	**494**	**52 221**
Unlisted shares	8 155	–	8 155
Charges other than property	9 464	–	9 464
Debtors, stock and other corporate assets	3 796	–	3 796
Guarantees	13 355	15	13 370
Other	16 957	479	17 436
Total collateral	**298 207**	**26 179**	**324 386**

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

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:** investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on the IPO of one of our investments. Additionally listed investments may be considered where we believe that the market is mispricing the value of the underlying security or where there is the opportunity to stimulate corporate activity. A material portion of the principal investments have been transferred to a new vehicle, Investec Equity Partners (IEP) on 11 January 2016. Investec Bank Limited holds a 45% stake alongside other strategic investors who hold the remaining 55% in IEP. The investment in IEP will be reflected as an investment in an associate. We continue to pursue opportunities to help create and grow black-owned and controlled companies.
- **Lending transactions:** the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- **Property activities:** we source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- **Central Funding:** Central Funding is the custodian of certain equity and property investments.

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

MANAGEMENT OF INVESTMENT RISK

As investment risk arises from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking principal investments	Investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Investment and trading properties	Investment committee, Investec Property group investment committee and ERRF
IEP	Our executive are on the board of IEP
Central Funding investments	Investment committee and ERRF

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets as well as stress testing scenario analysis are performed and reported to GRCC. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

VALUATION AND ACCOUNTING METHODOLOGIES

For a description of our valuation principles and methodologies refer to pages 146 to 158 in Investec Bank Limited's 2016 annual report 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 0.63% of total assets.

Refer to page 146 in Investec Bank Limited's 2016 annual report for further information.

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

For the year to 31 March R'million	Income/(loss) (pre-funding costs) Unrealised**	Realised**	Dividends	Total	Fair value through equity
2016					
Unlisted investments	(2 699)	3 597	185	1 083	(2)
Listed equities	91	(2)	200	289	207
Investment and trading properties	(60)	75	–	15	–
Warrants, profit shares and other embedded derivatives	(56)	274	–	218	–
Total	**(2 724)**	**3 944**	**385**	**1 605**	**205**
2015					
Unlisted investments	451	456	308	1 215	–
Listed equities	50	(105)	203	148	(176)
Investments and trading properties	4	27	–	31	–
Warrants, profit shares and other embedded derivatives	(107)	318	–	211	–
Total	**398**	**696**	**511**	**1 605**	**(176)**

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

Unrealised revaluation gains through profit and loss are included in tier 1 capital. The bank excludes revaluation gains posted directly to equity from its capital position.

SUMMARY OF INVESTMENTS HELD AND STRESS TESTING ANALYSES

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

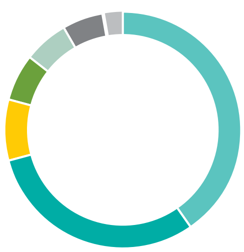
For the year to 31 March R'million	On-balance sheet value of investments 2016	Valuation change stress test 2016*	On-balance sheet value of investments 2015	Valuation change stress test 2015*
Unlisted investments^	2 803	420	7 791	1 169
Listed equities	3 557	889	2 913	728
Investment and trading properties	177	35	289	50
Warrants, profit shares and other embedded derivatives	237	83	299	105
Investment in associate (IEP)^^	5 063	760	–	–
Total	**11 837**	**2 187**	**11 292**	**2 052**

^ *Includes the investment portfolio and non-current assets classified as held for sale as per the balance sheet.*
^^ *As explained on page 41.*
* *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 IEP	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Additional information

AN ANALYSIS OF THE INVESTMENT PORTFOLIO, WARRANTS, PROFIT SHARES AND OTHER EMBEDDED DERIVATIVES AND INVESTMENT IN ASSOCIATE (IEP) BY INDUSTRY OF EXPOSURE



31 March 2016 (R11.7 billion)

40.3%	Finance and insurance
30.7%	Manufacturing and commerce
8.3%	Mining and resources
6.3%	Real estate
6.1%	Other
5.6%	Business services
2.7%	Communication

STRESS TESTING SUMMARY

Based on the information at 31 March 2016, as reflected above, we could have a R2.2 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 in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

CAPITAL REQUIREMENTS

In terms of Basel III capital requirements for Investec Bank Limited, unlisted and listed equities within the banking book are represented under the category of 'equity risk' and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

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.

The bank applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 31 March 2016 are not material, and therefore no further information is disclosed for these positions.

The information below sets out the initiatives we have focused on over the past few years, albeit that most of these business lines have been curtailed given the changes in the securitisation market and given the strategic divestments Investec has undertaken last year.

Our securitisation business was established over 15 years ago. Over this time, we have arranged a number of residential and commercial mortgage-backed programmes, asset-backed commercial paper conduits (ABCP), and third party securitisations.

Historically, we have also assisted in the development of select securitisation platforms with external third party originating intermediaries. Our exposure to these platforms has reduced and been sold down over the last few years and at present we have a single limited warehouse funding line to one platform.

Furthermore, we are sponsor to and provide a standby liquidity facility to Private Mortgages 1 (RF) (Pty) Ltd. This facility, which totalled R15 million at 31 March 2016 (31 March 2015: R200 million), has not been drawn on and is reflected as off-balance sheet contingent exposures in terms of our credit analysis.

This exposure is risk weighted for regulatory capital purposes. The liquidity risk associated with this facility is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been rated instruments within the UK and Europe, totalling R0.8 billion at 31 March 2016 (31 March 2015: R1.4 billion). We sold a number of these investments during the year. These investments are risk weighted for regulatory capital purposes.

In addition, we have own originated, securitised assets in our Private Client business in South Africa. The primary motivations for the securitisation of assets within our Private Client division 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.

Total assets that have been originated and securitised by the Private Client division amount to R8.0 billion at 31 March 2016 (31 March 2015: R4.5 billion) and consist of residential mortgages (R8.0 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R14.5 million.

SARB approval has been obtained to close our historical transactions, namely Private Residential Mortgages (PRM) Limited – Series 1 (PRM1), Private Residential Mortgages (PRM) Limited – Series 2 (PRM2), as well as Private Mortgages 1 (PM1) and Private Mortgages 2 (PM2). During the year we arranged one new Investec Private Client originated residential mortgage securitisation transaction namely, Fox Street 5 (RF) Limited (FS5) for R2.85 billion (R1.76 billion at year end). This RMBS transaction was structured as an amortising transaction and the notes are held internally by Investec in order to make use of the SARB's committed liquidity facility (CLF). FS1 to FS5 are rated by Global Credit Ratings. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for regulatory capital purposes. The group has retained an investment in all of these transactions. In terms of current securitisation rules, the group cannot act as liquidity provider to these transactions, and thus for these Fox Street structures, the special purpose entity has an internal liquidity reserve that has been funded. Credit mitigants have not been used in these transactions. An exemption notice in terms of securitisation rules has been applied for in relation to the FS1 and FS2 transactions. The FS3 to FS5 CLF transactions are within scope of the Bank's Act.

The group has no resecuritisation exposures in South Africa.

ACCOUNTING POLICIES

Refer to pages 119 and 120 in Investec Bank Limited's 2016 annual report.

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 group's global credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the group's appetite for such exposures, and each exposure is considered relative to the group's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the group prefers to address and manage these risks by only approving exposures to which the group has explicit appetite through the constant and consistent application of the risk appetite policy.

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

CREDIT ANALYSIS

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.
In addition, 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.

At 31 March R'million Nature of exposure/activity	Exposure 2016	Exposure 2015	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	772	4 419	Other debt securities and other loans and advances	
Rated	772	1 420		
Unrated	–	36		
Other (internally held)	–	2 963		
Loans and advances to customers and third party intermediary platforms (mortgage loans) (with the potential to be securitised) (net exposure)	367	472	Other loans and advances	
Private Client division assets which have been securitised	7 967	4 535	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances
Liquidity facilities provided to third party corporate securitisation vehicles	15	200	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability on the bank	

*Analysis of rated and unrated structured credit

At 31 March R'million	2016 Rated**	2016 Unrated	2016 Other (internally held, unrated)	2016 Total	2015 Rated**	2015 Unrated	2015 Other (internally held, rated)	2015 Total
US corporate loans	–	–	–	–	35	–	–	35
UK and European RMBS	646	–	–	646	1 251	–	–	1 251
UK and European corporate loans	–	–	–	–	–	36	–	36
Australian RMBS	126	–	–	126	134	–	–	134
South African RMBS	–	–	–	–	–	–	2 963	2 963
Total	**772**	**–**	**–**	**772**	**1 420**	**36**	**2 963**	**4 419**

**A further analysis of rated structured credit investments

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
UK and European RMBS	–	–	458	–	–	188	–	646
Australian RMBS	–	126	–	–	–	–	–	126
Total at 31 March 2016	**–**	**126**	**458**	**–**	**–**	**188**	**–**	**772**
Total at 31 March 2015	**–**	**457**	**482**	**303**	**178**	**–**	**–**	**1 420**

Market risk in the trading book

TRADED MARKET RISK DESCRIPTION

Traded market risk is the risk that the value of a portfolio of instruments changes as a result of changes in underlying market risk factors such as interest rates, equity prices, commodity prices, exchange rates and volatilities. The market risk management team identifies, quantifies and manages this risk in accordance with Basel standards and policies determined by the board.

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 clients in deal execution. Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions resulting from market making, underwriting, investments and limited proprietary trading in the foreign exchange, capital and money markets. The focus of these businesses is primarily on supporting client activity.

TRADED MARKET RISK GOVERNANCE STRUCTURE

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels.

A global market risk forum, mandated by the various boards of directors, manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global market risk forum and ratified at ERRF in accordance with the risk appetite defined by the board. The appropriateness of limits is continually assessed with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

MANAGEMENT AND MEASUREMENT OF TRADED MARKET RISK

Market risk management teams review the market risks in the trading books. Detailed risk reports are produced daily for each trading desk and for the aggregate risk of the trading books.

These reports are distributed to management and traders. There is a formal process for management recognition and authorisation for any risk excesses incurred. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Trading limits are generally tiered, taking into account liquidity and the inherent risks of traded instruments. Valuation models for new instruments or products are independently validated by Market Risk before trading can commence. Each traded instrument undergoes various stresses to assess potential losses.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case scenarios that are not necessarily as plausible. Scenario analysis is done at least once a week and is included in the data presented to ERRF.

The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and 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.

In South Africa, we have internal model approval from the SARB for general market risk for all trading desks with the exception of credit trading and therefore trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR together with standardised specific risk capital for issuer risk. Backtesting results and a detailed stress-testing pack are submitted to the regulator on a monthly basis.

The table on page 46, contains the 95% one-day VaR figures for the trading businesses and the graphs that follow show the result of backtesting the total daily 99% one-day VaR against 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.

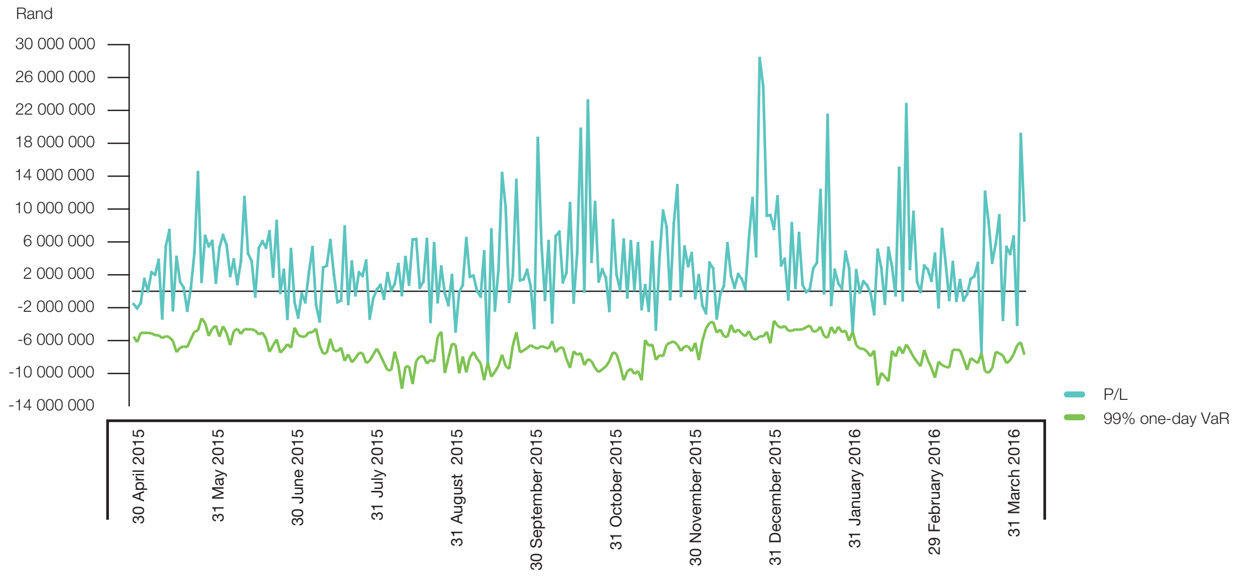
VaR

At 31 March R'million	31 March 2016 Year end	Average	High	Low	31 March 2015 Year end	Average	High	Low
95% (one-day)								
Commodities	0.1	0.1	0.2	–	–	0.1	0.5	–
Equities	2.1	2.1	4.5	1.2	1.8	2.7	6.4	1.0
Foreign exchange	3.0	2.6	6.4	1.2	3.0	3.1	5.9	1.1
Interest rates	1.1	1.2	3.0	0.5	2.7	1.6	3.5	0.9
Consolidated*	**4.2**	**3.8**	**8.4**	**2.0**	**3.4**	**4.3**	**7.6**	**2.0**

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

Average VaR for the year ended March 2016 in the South African trading book, was lower than the previous year due to lower VaR utilisation across the main trading desks. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception (as shown in the graph below), which is below the expected number of two to three exceptions that a 99% VaR implies. The exception was due to normal trading losses.

99% ONE-DAY VaR BACKTESTING



ETL 95% (ONE-DAY)

For the year to 31 March R'million	2016	2015
Commodities	0.2	–
Equities	5.0	2.5
Foreign exchange	4.5	4.4
Interest rates	1.8	3.8
Consolidated*	**7.6**	**5.0**

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

STRESS TESTING

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

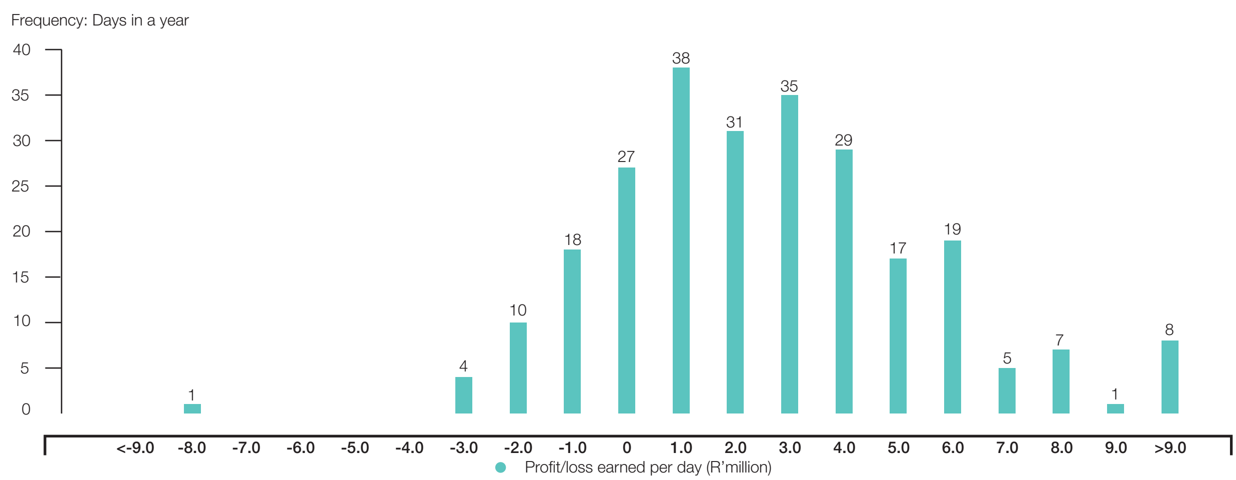
	31 March 2016				
For the year to 31 March R'million	**Year end**	**Average**	**High**	**Low**	**31 March 2015 Year end**
99% (using 99% EVT)					
Commodities	0.4	0.2	1.9	–	0.1
Equities	30.9	14.6	32.4	2.8	9.7
Foreign exchange	11.7	13.3	72.2	4.4	16.2
Interest rates	7.6	5.5	12.9	3.0	7.7
Consolidated*	**39.3**	**19.9**	**53.0**	**5.1**	**13.4**

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

PROFIT AND LOSS HISTOGRAMS

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 190 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year to 31 March 2016 was R2.1 million (2015: R1.5 million).

PROFIT AND LOSS



TRADED MARKET RISK MITIGATION

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independent oversight. 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, ensuring models used for valuation and risk are validated independently of the front office.

Risk limits are set according to guidelines set out in our risk appetite policy and are set on a statistical and non-statistical basis. Statistical limits include VaR and ETL. Full revaluation historical simulation VaR is used over a two-year historical period based on an unweighted time series. Every risk factor is exposed to daily moves with proxies only used when no or limited price history is available, and the resultant one-day VaR is scaled up to a 10-day VaR using the square root of time rule for regulatory purposes. Daily moves are based on both absolute and relative returns as appropriate for the different types of risk factors. Time series data used to calculate these moves is updated monthly at a minimum, or more frequently if necessary. Stressed VaR is calculated in the same way based on a one-year historical period of extreme volatility. The sVaR period used is mid-2008 to mid-2009, which relates to high levels of volatility in all markets in which the business holds trading position, during the financial crisis.

Non-statistical limits include limits on risk exposure to individual products, transaction tenors, notionals, liquidity, tenor buckets and sensitivities. Current market conditions are taken into account when setting and reviewing these limits.

TRADED MARKET RISK YEAR IN REVIEW

Risk software was changed to be fully integrated with trading systems, while independence is maintained through independent validation of all valuation models.

Trading conditions have remained challenging. Markets have been very volatile while the lack of liquidity has continued. Investec remains focused on facilitating the near-term demand of our clients. The equity derivatives business has continued to grow their synthetic product offering to a diversified client base. All trading areas have kept market risk exposures at low levels throughout the year.

MARKET RISK – DERIVATIVES

We enter into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, commodity, equity and interest rate exposures and to a small extent as principal for trading purposes. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

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 164 and 165 in Investec Bank Limited's 2016 annual report.

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.

The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedging instrument can be reliably measured.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly reporting periods for which the hedge was designated.

Balance sheet risk management

BALANCE SHEET RISK DESCRIPTION

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange, encumbrance and leverage risks on balance sheet.

BALANCE SHEET RISK GOVERNANCE STRUCTURE AND RISK MITIGATION

Under delegated authority of the board, the group has established asset and liability committees (ALCOs) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within a board-approved risk appetite.

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funded so that there is no reliance on intergroup lines either from or to other group entities. As such the different geographic entities have no responsibility for contributing to group liquidity.

The ALCOs comprise the group risk director, the head of balance sheet risk, the head of risk, the head of corporate and institutional banking activities, head of private banking distribution channels, economists, the treasurer, divisional heads, and the balance sheet risk management team. The ALCOs formally meet on 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 Central 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 treasurers are required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The Central Treasury, by core geography, 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 Central Treasury functions are the sole interface to the wholesale 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 and are understood by business line management, thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

The balance sheet risk management team, in their respective geographies based within Group Risk Management, independently identify, quantify and monitor risks, providing daily independent governance and oversight of the treasury activities and the execution of the bank's policy, continuously assessing the risks while taking changes in market conditions into account. In carrying out its duties, the balance sheet risk management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of potential liquidity concerns through daily liquidity reporting, and further perform scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The balance sheet risk management team proactively identifies proposed regulatory developments, best risk practice, and measures adopted in the broader market, and implements changes to the bank's risk management and governance framework where relevant.

Scenario modelling and rigorous daily liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal company-specific and market-driven stress scenarios. These assume the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.

The parameters used in the scenarios are reviewed regularly, 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 risk on cash flow, liquidity, profitability and solvency position, so as to maintain sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite.

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

The integrated balance sheet risk management framework is based on similar methodologies to those contemplated under the Basel Committee on Banking Supervision's (BCBS) 'liquidity risk measurement standards and monitoring' and is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk in the banking book'.

Each banking entity within the group maintains a contingency funding plan designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions and pave the way for the group to emerge from a potential funding crisis with the best possible reputation and financial condition for continuing operations. The liquidity contingency plans outline extensive early warning indicators, clear lines of communication, and decisive crisis response strategies.

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, the Central Treasury function, ERRF, GRCC, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

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

Liquidity risk

LIQUIDITY RISK DESCRIPTION

Liquidity risk is the risk 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, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk 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:** which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation.
- **Market liquidity:** which 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.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss

- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation.

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

- The group complies with the BCBS principles for sound liquidity risk management and supervision
- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring as phased in from 2015
- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the SARB 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
- Each geographic entity must be self-sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from or to other group entities, as such geographic entities have no responsibility for contributing to group liquidity
- 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 statutory 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 satisfactory 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
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- We further carry out reverse stress tests to identify business model vulnerabilities which test 'tail risks' that can be missed in normal stress tests. The group has calculated the severity of stress required to breach the liquidity requirements
- The balance sheet risk management 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 normal market disruption
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment. Liquidity risk management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates and projected balance sheet growth to estimate future funding and liquidity needs while taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital, thus maintaining an appropriate mix of structural and term funding, resulting in strong balance sheet liquidity ratios.

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

- Local regulatory requirements
- Contractual run-off based actual cash flows with no modelling adjustment
- 'Business as usual' normal environment where we apply rollover and reinvestment assumptions under benign market conditions
- Basel standards for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Stress conditions based on statistical historical analysis, documented experience and prudent judgement
- Quantification of a 'survival horizon' under stress conditions. The survival horizon is the number of business days it takes before the bank's cash position turns negative based on statistical historical analysis, documented experience and prudent judgement

- Other key funding and balance sheet ratios
- Monitoring and analysing market trends and the external environment.

This 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 short-term liquidity stress or market disruptions in the event of either a firm-specific or general market contingent event.

We maintain a funding structure with 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. This validates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix to support loan growth.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. We also have a number of innovative retail deposit initiatives within our Private Banking division and these continued to experience strong inflows during the financial year. Fixed and notice customer deposits have continued to grow during the year and our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business. We have instituted various offshore syndicated loan programmes to broaden and diversify term funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate.

Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

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

As mentioned above, we hold a liquidity buffer in the form of cash, unencumbered readily available 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 statutory requirements as protection against unexpected disruptions in cash flows. These portfolios are managed within board-approved targets, and apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on interbank deposits to fund term lending.

From 1 April 2015 to 31 March 2016 average cash and near cash balances over the period amounted to R105.7 billion.

The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

The liquidity contingency plans outline extensive early warning indicators, clear lines of communication and decisive crisis response strategies. Early warning indicators span bank-specific and systemic crises. Rapid response strategies address action plans, roles and responsibilities, composition of decision-making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements required to manage liquidity during such an event.

This plan helps 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.

Asset encumbrance

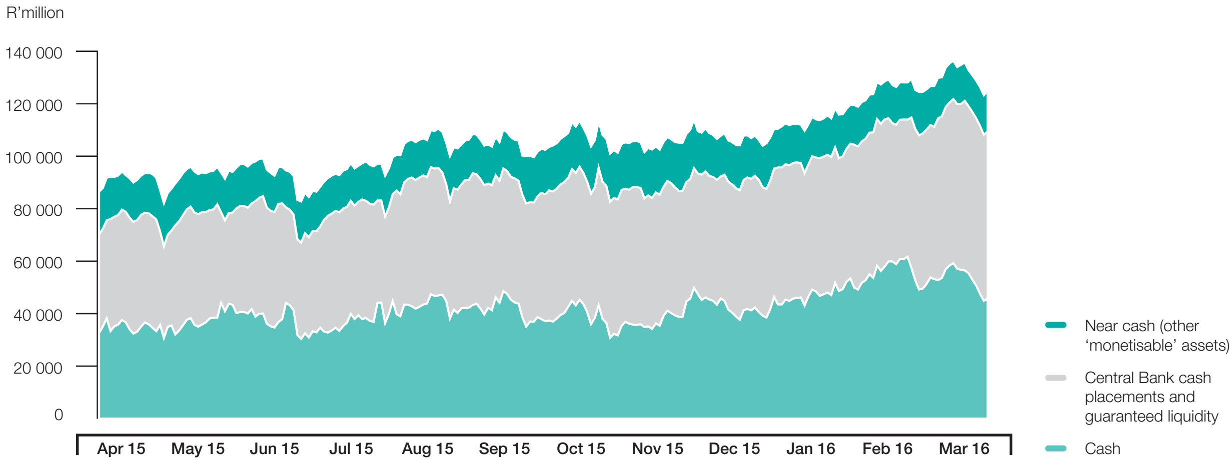
An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing liability.

The group utilises securitisation in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the group which are available to provide a pool of collateral eligible to support central bank liquidity facilities.

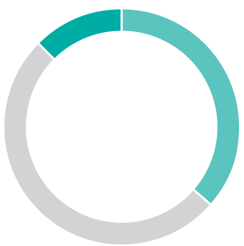
The group uses secured transactions to manage short-term cash and collateral needs. Details of assets pledged through repurchase activity and collateral pledges are reported by line item of the balance sheet on which they are reflected on page 111 of our Investec Bank Limited annual report. Related liabilities are also reported.

On page 161 in Investec Bank Limited's 2016 annual report we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

INVESTEC BANK LIMITED CASH AND NEAR CASH TREND



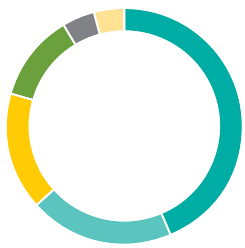
AN ANALYSIS OF CASH AND NEAR CASH AT 31 MARCH 2016



R124 907 million

36.6%	Cash
51.0%	Central Bank cash placements and guaranteed liquidity
12.4%	Near cash (other 'monetisable' assets)

BANK AND NON-BANK DEPOSITOR CONCENTRATION BY TYPE AT 31 MARCH 2016



R316 978 million

43.8%	Other financials
19.8%	Non-financial corporates
16.1%	Individuals
11.7%	Banks
4.7%	Public sector
3.9%	Small business

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R125 billion

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

The table will not agree directly to the balances disclosed in the balance sheet since the table incorporates cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

The table reflects that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government, or rated securities and near cash against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities. We have:
  - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
  - set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and
  - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display a fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity

At 31 March 2016 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	25 957	5 818	766	397	250	1 392	–	34 580
Cash and short-term funds – non-banks	9 582	4	232	40	–	–	–	9 858
Investment/trading assets and statutory liquids	61 902	11 809	4 653	2 930	3 651	13 396	36 965	135 306
Securitised assets	69	12	45	84	145	1 310	6 417	8 082
Advances	7 116	4 578	10 871	14 423	23 242	97 241	50 168	207 639
Other assets	2 551	94	110	22	–	26	7 361	10 164
Assets	**107 177**	**22 315**	**16 677**	**17 896**	**27 288**	**113 365**	**100 911**	**405 629**
Deposits – banks	(5 066)	(2 042)	(2 168)	(2 290)	(9 279)	(16 397)	–	(37 242)
Deposits – non-banks	(126 940)^	(26 706)	(51 978)	(20 915)	(23 954)	(26 806)	(2 437)	(279 736)
Negotiable paper	–	(396)	(722)	(95)	(19)	(6 433)	–	(7 665)
Securitised liabilities	–	–	–	–	–	–	(809)	(809)
Investment/trading liabilities	(854)	(6 011)	(6 036)	(1 153)	(10 062)	(6 990)	(638)	(31 744)
Subordinated liabilities	–	–	–	–	–	(501)	(10 231)	(10 732)
Other liabilities	(360)	(52)	(115)	(249)	(155)	(112)	(4 793)	(5 836)
Liabilities	**(133 220)**	**(35 207)**	**(61 019)**	**(24 702)**	**(43 469)**	**(57 239)**	**(18 908)**	**(373 764)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(31 865)**	**(31 865)**
Contractual liquidity gap	**(26 043)**	**(12 892)**	**(44 342)**	**(6 806)**	**(16 181)**	**56 126**	**50 138**	**–**
Cumulative liquidity gap	(26 043)	(38 935)	(83 277)	(90 083)	(106 264)	(50 138)	–	

^ *Includes call deposits of R125 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 53.

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	**47 454**	**18 075**	**960**	**(456)**	**(11 414)**	**(146 600)**	**91 981**	**–**
Cumulative	47 454	65 529	66 489	66 033	54 619	(91 981)	–	

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established

BALANCE SHEET RISK YEAR IN REVIEW

- Investec maintained and improved its strong liquidity position and continued to hold high levels of surplus liquid assets
- We sustained strong term funding in demanding market conditions while focusing on lowering the weighted average cost of funding
- Our liquidity risk management process remains robust and comprehensive.

During the past financial year the liquidity risk profile of the balance sheet has significantly improved. Investec grew its total customer deposits by 26.4% from R221 billion to R280 billion at 31 March 2016. Our Private Bank and Cash Investments fund raising channels grew deposits by 21.8% to R110 billion over the financial year. The wholesale channels saw a marked turnaround from the previous year and Rand liabilities increased by 29.5% to R170 billion.

Two factors contributed to this. Firstly, there were renewed inflows to Money Market Funds as anxieties relating to the forced entry into curatorship of African Bank were eased; and secondly, Investec gained market share following Fitch's upgrade of Investec's national scale long-term rating to AA- in December 2015 as a result of a resilient risk profile.

Our Rand liquidity was further boosted by several successful medium-term senior unsecured bond issues totalling R5 billion. Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 117.3%, which is well ahead of the minimum level of 70% required.

Two and three year term dollar transactions amounting to US$875 million were raised in several club, bilateral and structured loan deals over the course of the year as the cost of term dollars fell to levels last witnessed over five years ago. The bank's long-term USD liquidity position is very positive and places us in a strong position ahead of any concern over South Africa's heightened risk of a credit rating downgrade. Our USD funding augments our cash and near cash balances, with core loans remaining fully funded by domestic deposits.

The strong performance across all funding channels has led to a growth of R36 billion to R125 billion in our total cash and near cash balances by the end of the financial year 2016.

REGULATORY CONSIDERATIONS – BALANCE SHEET RISK

In response to the global financial crisis, national and supranational regulators have introduced changes to laws and regulations designed to both strengthen and harmonise global capital and liquidity standards to ensure a strong financial sector and global economy.

Two key liquidity measures were defined:

- The liquidity coverage ratio (LCR) is designed to promote short-term resilience of one-month liquidity profile, by ensuring that banks have sufficient high-quality liquid assets to meet potential outflows in a stressed environment. The BCBS published the final calibration of the LCR in January 2013. The LCR ratio is being phased in from 2015 to 2019.
- 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. The BCBS published the final consultation document on the NSFR in October 2014. The NSFR ratio will be introduced in 2018.

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. Investec already exceeds minimum requirements of these standards as a result of efforts to reshape our liquidity and funding profile where necessary.

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

However, 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.

Nevertheless, 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 SARB exercised national discretion and has announced:

- The introduction of a committed liquidity facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF is limited to 40% of net outflows under the LCR. Investec Bank Limited used the CLF offered by the SARB, as a buffer, to augment the LCR by approximately 10% over the financial year. Investec Bank Limited exceeds the minimum requirement for the LCR in March 2016
- A change to available stable funding factor as applied to less than six months term deposits from the financial sector. The change recognises 35% of less than six months financial sector deposits which has the impact of reducing the amount of greater than six months term deposits required by local banks to meet the NSFR, and will therefore mitigate any increases in the overall cost of funds.

Notwithstanding the above constraints, Investec Bank in South Africa comfortably exceeds the minimum required LCR and NSFR liquidity ratios.

Global developments in the financial industry have formed a more robust regulatory approach to the industry, and the South African National Treasury has plans to adopt the Twin Peaks regulatory framework to regulate the industry in line with the IMF Financial Sector Assessment Programme (FSAP) recommendations to South Africa.

NON-TRADING INTEREST RATE RISK DESCRIPTION

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** we are not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk
- **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 income and the economic value of equity.

MANAGEMENT AND MEASUREMENT OF NON-TRADING INTEREST RATE RISK

Non-trading interest rate risk in the banking book 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 core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk
- The management of interest rate risk in the banking book is centralised within the Central Treasury function and treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- Treasury is the primary interface to the wholesale market
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- Internal capital is allocated for non-trading interest rate risk
- The risk appetite is clearly defined by the board in relation to both earnings risk and economic value risk. In addition, each geographic entity has its own board-approved policies with respect to non-trading interest rate risk
- The non-trading interest rate risk policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy, interest rate swaps are used to swap fixed deposits and loans into variable rate in the wholesale market
- Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and ALCO

- It is the responsibility of the liability product and pricing forum, a sub-committee of ALCO, to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary
- Pricing for all deposit products is set centrally. In doing so we manage access to funding at cost-effective levels, considering also the stressed liquidity value of the liabilities
- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent risk and ALCO review
- 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. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or embedded option risk. This is performed for a variety of interest rate scenarios, covering:
  - Interest rate expectations and perceived risks to the central view
  - Standard shocks to levels and shapes of interest rates and yield curves
  - Historically-based yield curve changes.

This is consistent with the standardised interest rate measurement recommended by the Basel framework for assessing interest rate risk in the banking book (non-trading interest rate risk).

- The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite and ensure a high degree of net interest margin stability over an interest rate cycle. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes to interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of 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
- We carry out technical interest rate analysis and economic review of fundamental developments by geography, the results of this evaluation are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape, after taking global trends into account
- These combinations of measures provide senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value
- Our risk appetite policy requires that interest rate risk arising from fixed interest loans is transferred from the originating business to the Central Treasury function by match-funding. In turn, Central Treasury hedges material fixed rate assets with a term of more than one year on a deal-by-deal basis with the use of variable versus fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Central Treasury also hedges all fixed rate deposits with a term of more than one year to variable rate. These derivative hedging trades are executed with the bank's interest rate trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

Operationally, non-trading interest rate risk is transferred within predefined guidelines from the originating business to the Central Treasury function and aggregated or netted providing Central Treasury with a holistic view of the exposure. Central Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate and Institutional Banking division to be traded with the external market. The treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles. Any resultant interest rate position is managed under the market risk limits.

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

The BCBS has indicated that after completing and embedding the current reforms (covering capital, leverage and liquidity), the capital framework for interest rate risk on the banking book will be revisited. In part this is due to the increase in the quantum of high-quality liquid assets (HQLA) which banks will need to hold in meeting the new liquidity ratios and the potential increase in interest rate risk thereon. The expectation is that Basel will produce additional documents in the next year on minimum standards for interest rate risk measurement in the banking book.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2016. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

At 31 March 2016 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	23 687	9	–	40	–	7 527	31 263
Cash and short-term funds – non-banks	9 814	40	–	–	–	4	9 858
Investment/trading assets and statutory liquids	41 954	24 787	–	13 358	6 024	18 999	105 122
Securitised assets	8 082	–	–	–	–	–	8 082
Advances	188 090	4 382	1 761	11 054	2 352	–	207 639
Other assets	–	–	–	–	–	3 718	3 718
Assets	**271 627**	**29 218**	**1 761**	**24 452**	**8 376**	**30 248**	**365 682**
Deposits – banks	(36 508)	(10)	(724)	–	–	–	(37 242)
Deposits – non-banks	(234 525)	(14 827)	(15 252)	(11 875)	(1 659)	(1 526)	(279 664)
Negotiable paper	(1 886)	(123)	(19)	(5 636)	(1)	–	(7 665)
Securitised liabilities	(809)	–	–	–	–	–	(809)
Investment/trading liabilities	(244)	–	(1 837)	(96)	–	–	(2 177)
Subordinated liabilities	(8 968)	(1 340)	–	(301)	–	(123)	(10 732)
Other liabilities	(103)	–	–	(25)	–	(4 820)	(4 948)
Liabilities	**(283 043)**	**(16 300)**	**(17 832)**	**(17 933)**	**(1 660)**	**(6 469)**	**(343 237)**
Intercompany loans	**8 560**	**1 581**	**2 446**	**2 188**	**563**	**251**	**15 589**
Shareholders' funds	**(1 158)**	**–**	**–**	**–**	**(11)**	**(30 698)**	**(31 867)**
Balance sheet	**(4 014)**	**14 499**	**(13 625)**	**8 707**	**7 268**	**(6 668)**	**6 167**
Off-balance sheet	**8 408**	**(1 656)**	**2 291**	**(8 323)**	**(6 828)**	**(59)**	**(6 167)**
Repricing gap	**4 394**	**12 843**	**(11 334)**	**384**	**440**	**(6 727)**	**–**
Cumulative repricing gap	4 394	17 237	5 903	6 287	6 727	–	

Economic value sensitivity at 31 March 2016

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

	Sensitivity to the following interest rates (expressed in original currencies)						
R'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	410.2	3.8	5.9	(9.6)	1.4	(13.3)	**419.5**
200bps up	(352.1)	(3.5)	(5.1)	4.1	(1.4)	11.6	**(435.7)**

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, No 94 of 1990, banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6/2014 and Directive 11/2014. This disclosure is in accordance with Pillar III of the Basel III liquidity accord.

The values in the table are calculated as the simple average of calendar daily values over the period 1 January 2016 to 31 March 2016 for Investec Bank Limited bank solo. All 60 business day observations were used. Investec Bank Limited consolidated group values use daily values for Investec Bank Limited bank solo, while those for other group entities use the average of January, February and March 2016 month-end values.

The minimum LCR requirement is 70% throughout 2016 and will increase by 10% each year to 100% on 1 January 2019. This applies to both Investec Bank Limited bank solo and Investec Bank Limited consolidated group.

Investec Bank Limited 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 the LCR. This weighted outflow is determined by the type of customer liabilities falling into the 30-day contractual bucket. In turn these deposit characteristics determine the targeted level of HQLA required to be held as a counterbalance to the modelled stressed outflows
- In order to manage the deposit mix in relation to tenor and client type, we establish targets for deposits to be raised by market, channel, product, tenor band and client type designed to restrict the weighted outflows falling into the 30-day window.

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 made up 3% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 7% to total HQLA
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2015 quarter year end:

The average LCR remains well in surplus of regulatory requirements, decreasing by 1.5%, with both the average HQLA and average stressed net cash outflows increasing by R7 billion.

Investec Bank Limited consolidated group:

Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the Investec Bank Limited consolidated group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R6 billion are primarily to non-financial corporates, while its average stressed inflows of R9 billion is largely from banks. IBM bank solo currently has no LCR requirement. There is no restriction on the contribution of IBM's cash inflows to the group. Consolidated group LCR is better than IBL solo's, mainly due to IBM's surplus cash inflows.

At 31 March 2016 R'million	Investec Bank Limited Bank Solo Total unweighted value	Investec Bank Limited Bank Solo Total weighted value	Investec Bank Limited Consolidated Group Total unweighted value	Investec Bank Limited Consolidated Group Total weighted value
High-quality liquid assets				
Total high-quality liquid assets		**62 049**		**62 095**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	**47 471**	**4 747**	**50 827**	**5 083**
Stable deposits	–	–	–	–
Less stable deposits	47 471	4 747	50 827	5 083
Unsecured wholesale funding, of which:	**108 933**	**81 511**	**119 905**	**86 840**
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	–	–	–	–
Non-operational deposits (all counterparties)	108 119	80 697	119 065	86 000
Unsecured debt	814	814	840	840
Secured wholesale funding	–	480	–	480
Additional requirements, of which:	**60 560**	**9 434**	**62 257**	**9 600**
Outflows related to derivatives exposures and other collateral requirements	18 502	4 377	18 502	4 377
Outflows related to loss of funding on debt products	1 149	1 149	1 149	1 149
(Undrawn committed) credit and liquidity facilities	40 909	3 908	42 606	4 074
Other contractual funding obligations	393	393	393	393
Other contingent funding obligations	119 369	6 701	118 838	6 669
Total cash outflows		**103 266**		**108 748**
Cash inflows				
Secured lending (e.g. reverse repo's)	9 788	5 840	9 788	5 840
Inflows from fully performing exposures	41 718	38 742	52 201	48 817
Other cash inflows	5 089	5 089	5 409	5 409
Total cash inflows	**56 595**	**49 671**	**67 398**	**60 066**

	Investec Bank Limited Bank Solo Total adjusted value	Investec Bank Limited Consolidated Group Total adjusted value
Total high-quality liquid assets	62 049	62 095
Total net cash outflows	53 594	48 682
Liquidity coverage ratio (%)	**117.3**	**130.1**

Operational risk

OPERATIONAL RISK DEFINITION

Operational risk is defined as any instance where there is potential or actual impact to the group resulting from failed internal processes, people, systems or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the operations of a specialist bank and asset management group. The group aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are integrated into an overall risk management framework which is fit for purpose.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

The bank continues to operate under the standardised approach (TSA) to operational risk for regulatory capital purposes. The framework which includes policies and procedures is embedded at all levels of the group, supported by the risk culture and enhanced on a continual basis as the discipline matures and in line with regulatory developments.

Practices and processes are supported by an operational risk management system which facilitates the identification, assessment and mitigation of operational risk.

Practices consist of the following:

	RISK AND CONTROL ASSESSMENT	INTERNAL RISK EVENTS	EXTERNAL RISK EVENTS	KEY RISK INDICATORS	SCENARIOS AND CAPITAL CALCULATION	REPORTING
DESCRIPTION	Qualitative assessments that identify key operational risks and controls	Incidents resulting from failed systems, processes, people or external events	Access to an external data provider relating to operational risk events that occur in the global financial services industry	Metrics are used to monitor risk exposures identified against thresholds	Extreme, yet plausible scenarios are evaluated for financial and non-financial impacts	Reporting and escalation framework in place
PURPOSE	Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile	A causal analysis is performed and enables business to identify trends in risk events and address control weaknesses	Events are used to raise management awareness and as input to risk assessment and scenario analysis	Assists in predictive capability and assessing the risk profile of the business	Measure exposures arising from key risks which are considered in determining internal operational risk capital requirements	Ensures that risk events and exposures are identified and appropriately escalated and managed

GOVERNANCE

The governance structure relating to operational risk forms an integral part of the operational risk management framework. The structure adopted to manage operational risk is supported and enforced by a level of defence model and includes principles relating to combined assurance.

ASSURANCE

BOARD AND BOARD COMMITTEES	EXTERNAL ASSURANCE AND SUPERVISION	INTERNAL ASSURANCE	INDEPENDENT OPERATIONAL RISK MANAGEMENT	BUSINESS UNIT MANAGEMENT
• Determination of the risk appetite and tolerance of the bank • Monitor and review operational risk exposures • Approval of the operational risk management framework.	• External assessment of operational risk environment • Onsite reviews by the SARB and other regulators.	• Independent review of framework and its effectiveness • Audit findings considered as part of the operational risk management process.	• Challenge and review business unit practices and data • Maintain operational risk management framework including policies and procedures • Report to board and board committees on operational risk events and current and emerging exposures.	• Identify, own and mitigate operational risk • Establish and maintain appropriate operational risk and control environment.

RELIANCE

RISK APPETITE AND TOLERANCE

The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact from a risk event, that the bank is willing to accept or retain. The objective of the policy is to encourage action and mitigation of risk exposures and provides management with the guidance to respond appropriately. Additionally, the policy defines capturing and reporting thresholds for risk events and guidance to respond to key risk indicators appropriately.

RISK MANAGEMENT

LOOKING FORWARD

Key operational risk considerations

DEFINITION OF RISK	MITIGATION APPROACH	PRIORITY FOR 2016/17
CYBERSECURITY		
Risk associated with cyberattacks, including disruption of client-facing systems, data theft, cyber terrorism and espionage	• Maintaining a robust cybersecurity strategy focusing on prediction, detection, prevention and response • Sharing of threat information with relevant peers, law enforcement and industry bodies	• Active involvement of cybersecurity teams during systems development, ensuring applications are secure by design • Maintenance and testing of security incident breach response processes ensuring that these are consistent, coordinated and global in nature • Ongoing research into the latest cyberattack methods and revising controls to ensure the group is adequately protected
FINANCIAL CRIME		
Risk associated with fraud, corruption, theft, embezzlement, extortion, coercion, collusion, abuse of power, conflict of interest, abuse of privileged information, money laundering and other criminal conduct and/or misconduct by staff, clients, suppliers and other stakeholders	• Identify and assess financial crime risks holistically in clients, sectors and markets • Consistent implementation of standards to prevent, detect, deter and respond to all financial crime incidents • Targeted training for the specific risk roles and regular campaigns to all employees to raise awareness of financial crime risk and associated policies and to encourage escalation • Operate an integrity line which allows employees to make disclosures including regulatory breaches, allegations of bribery, fraud and corruption, and non-compliance with policies	• Proactive strategy for the effective prevention, detection and investigation measures of all financial crime types which includes business and client risk assessments • Development of financial crime prevention policies and practices which comply with regulations, industry guidance and best practices • Regular delivery of management information focused on key risk indicators • Review external and industry events by engaging with external partners and stakeholders • Increased and enhanced monitoring, analysis of root causes and review of internal controls to enhance defences against external attacks
INFORMATION SECURITY		
Risk associated with the confidentiality, integrity and availability of information assets. This includes its unauthorised access, use, disclosure, modification or destruction	• Understanding what critical information assets are and the threats to which they are exposed • Ensuring appropriate and robust security controls are in place • Raising awareness with relevant stakeholders of policies relating to information security and their responsibility in protecting information	• Identification and classification of most valuable and confidential information assets • Implementation and monitoring of information security policies, standards, processes and technical controls designed to mitigate the risks introduced by the information supply chain • Align practices with the rapidly changing legal and regulatory requirements to safeguard information
PROCESS FAILURE		
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations	• Proactive risk identification and assessment relating to new products and projects to implement adequate and effective controls • Continuous process improvements including automation of workflow • Segregation of incompatible duties and appropriate authorisation controls	• Causal analyses 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 applications of controls • Effective management of change remains a priority
REGULATORY AND COMPLIANCE		
Risk associated with identification, implementation and monitoring of compliance with regulations	• Alignment of regulatory and compliance approach to reflect new regulatory landscapes (particularly change of regulatory structures) • Managing business impact and implemented challenges as a result of significant volumes of statutory and regulatory changes and developments • Ensuring existing monitoring remains focused appropriately as areas of conduct and regulatory risk develop	• Group Compliance and Group Legal assist in the management of regulatory and compliance risk • Identification and adherence to legal and regulatory requirements • Review practices and policies as regulatory requirements change
TECHNOLOGY		
Risk associated with the reliance on technology to support business processes and client services. This relates to the ownership and usage of IT systems across the business	• Enhancing resilience of technical infrastructure and process to IT failures or service interruptions • Identifying, monitoring and reducing risks in the digital channel, following the introduction of mobile applications and increased online presence	• Ongoing identification and remediation of vulnerabilities identified in IT systems, applications and processes • Establishing appropriate IT resilience to support our global digital offerings and 24/7 business services • Maintaining and testing IT recovery capabilities to safeguard against disruptions that may result from systems failures or IT service outages

INSURANCE

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

Business continuity management

The group continues to enhance its global business continuity management capability which incorporates an appropriate level of resilience built into the bank's operations to lessen the impact of severe operational disruptions.

In the event of a major interruption, incident management teams will respond accordingly to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site and the reliance on highly available technological solutions. Dedicated resources ensure all governance processes are in place with business and technology teams responsible for ensuring the recovery process meets key business requirements to support client and industry expectations.

The group conducts regular business continuity exercises and testing of recovery strategies to ensure that its recovery capability remains appropriate and fit-for-purpose.

We are active participants in risk mitigation discussions amongst industry bodies to ensure we stay abreast with industry views, concerns and associated collaborative efforts to minimise the risk of interruptions.

Recovery and resolution planning

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

The recovery plans for Investec Limited:

- Integrate with existing contingency planning
- Analyse the potential for severe stress in the group
- Identify roles and responsibilities
- Identify early warning indicators and trigger levels
- Analyse how the group could be affected by the stresses under various scenarios
- Include potential recovery actions available to the board and management to respond to the situation, including immediate, intermediate and strategic actions
- Assess how the group might recover as a result of these actions to avoid resolution.

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The SARB 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 SARB has been incorporated into Investec's recovery plan.

The SARB 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. A discussion document for public comment has been issued during the period under review. 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 by the board and also arises as a result of other risks manifesting and not being mitigated.

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

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

Legal risk management

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

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

The scope of our activities is continuously reviewed and includes 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.

A legal risk forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the global head of legal risk or an appointed deputy.

Conduct risk

The South African financial sector regulatory landscape has been under review for the last few years. A new regulatory structure is developing, and existing legislation is also being amended. Although the conduct of financial institutions is currently regulated under various pieces of legislation, and by various regulators, this will change under the new regulatory structure. The resultant strategic and operational impact is expected to last for at least the next five years.

Capital management and allocation

REGULATORY CAPITAL – INVESTEC BANK LIMITED

Current regulatory framework

Investec Bank Limited is supervised for capital purposes by the SARB on a consolidated basis.

Since 1 January 2013, Investec Bank Limited has been calculating capital resources and requirements at a group level using the Basel III framework, as implemented in South Africa by the SARB, in accordance with the Bank's Act and all related regulations.

Investec Bank Limited uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. Capital requirements for equity risk is calculated using the internal ratings-based (IRB) approach by applying the simple risk-weight method. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

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 Bank 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.

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 in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

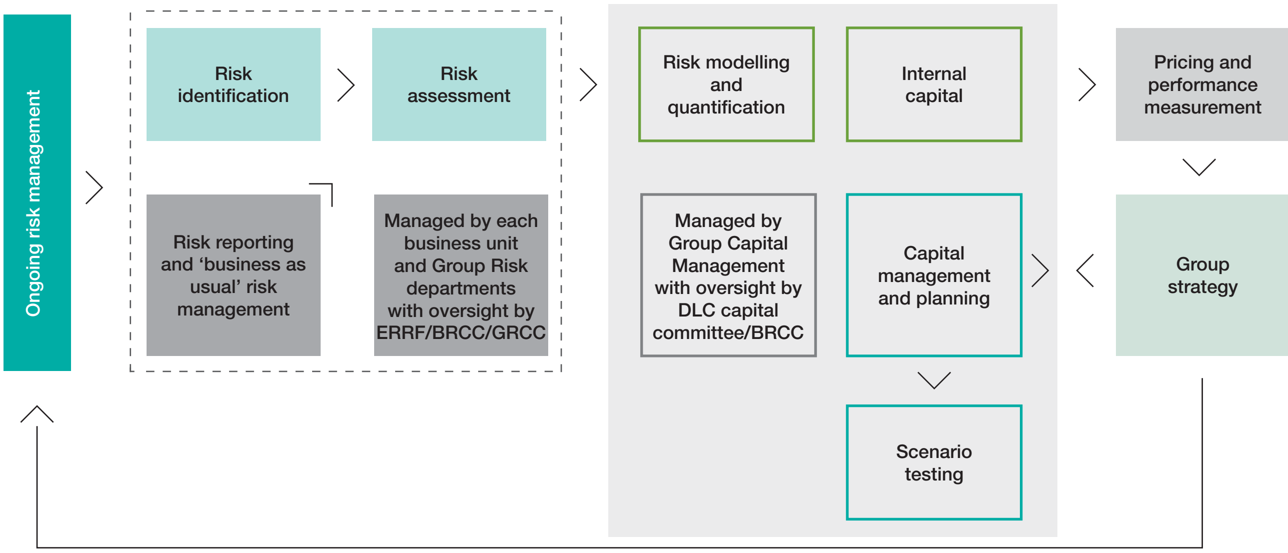
The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood, prepared and planned for. To allow the committee to carry out this function the group's regulatory and capital management teams closely monitor regulatory developments and regularly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

MANAGEMENT OF LEVERAGE

At present Investec Bank Limited calculates and reports its leverage ratio based on the latest SARB 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 SARB, Investec applies the rules as outlined in the most recent BCBS publication.

Risk management framework

THE (SIMPLIFIED) INTEGRATION OF RISK AND CAPITAL MANAGEMENT



LEVERAGE RATIO TARGET

Investec is currently targeting a leverage ratio above 6%, but will continue to reassess this target for appropriateness pending the outcome of the EBA's report in July 2016.

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.

RISK ASSESSMENT AND REPORTING

We review the business continuously to maintain a close understanding of our universe of risks, which are analysed through the risk management governance framework under stewardship of BRCC. Key risks are reviewed and debated by senior management on a continuous basis. Assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Key identified risks are monitored by Group Risk Management and by Internal Audit to ensure that each risk is managed to an acceptable level. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

- Credit and counterparty risk
- Market risk
- Equity and investment risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Operational, conduct and reputational risk
- Legal risk (considered within operational risk for capital purposes).

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed by ERRF, GRCC and BRCC.

RISK MODELLING AND QUANTIFICATION (INTERNAL CAPITAL)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above.

Quantification of all risks is based on analysis of internal data, management expertise and judgement, and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Market risk
- Equity and investment risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Banking book interest rate risk
- Strategic and reputational risks
- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant review of the underlying business environment.

CAPITAL PLANNING AND STRESS/SCENARIO TESTING

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

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

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

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

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

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

PRICING AND PERFORMANCE MEASUREMENT

The use of internal capital as an allocation tool means that all transactions are considered in the context of their contribution to return on risk-adjusted capital. This ensures that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions, at both a group and at a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

REGULATORY CAPITAL AND REQUIREMENTS

Regulatory capital is divided into three main categories, namely common equity tier 1, tier 1 and tier 2 capital as follows:

- Common equity tier 1 capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (e.g. goodwill and intangible assets) and other adjustments
- Additional tier 1 capital includes qualifying capital instrument, that are capable of being fully and permanently written down or converted into common equity tier 1 capital at the point of non-viability of the firm and other additional tier 1 instruments, which no longer qualify as additional tier 1 capital and are subject to grandfathering provisions and related eligible non-controlling interests
- Tier 2 capital comprises qualifying subordinated debt and related eligible non-controlling interests and other tier 2 instruments, which no longer qualify as tier 2 capital and are subject to grandfathering provisions.

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 65 to 67.

At 31 March R'million	2016	2015
Tier 1 capital		
Shareholders' equity	30 331	27 365
Shareholders' equity per balance sheet	31 865	28 899
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	1 839	1 140
Cash flow hedging reserve	1 839	1 140
Deductions	(695)	(190)
Goodwill and intangible assets net of deferred tax	(695)	(190)
Common equity tier 1 capital	**31 475**	**28 315**
Additional tier 1 capital before deductions	**920**	**1 073**
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(614)	(461)
Total tier 1 capital	**32 395**	**29 388**
Tier 2 capital	**10 726**	**10 319**
Collective impairment allowances	229	169
Tier 2 instruments	10 732	10 449
Phase out of non-qualifying tier 2 instruments	(235)	(299)
Total regulatory capital	**43 121**	**39 707**
Risk-weighted assets	**295 752**	**257 931**
Capital ratios		
Common equity tier 1 ratio	10.6%	11.0%
Tier 1 ratio	11.0%	11.4%
Total capital adequacy ratio	14.6%	15.4%

CAPITAL MANAGEMENT AND ALLOCATION (CONTINUED)

Capital requirements

At 31 March R'million	2016	2015
Capital requirements	**30 684**	**25 794**
Credit risk – prescribed standardised exposure classes	23 603	19 073
Corporates	13 278	11 505
Secured on real estate property	2 943	1 923
Short-term claims on institutions and corporates	4 876	3 242
Retail	483	549
Institutions	813	872
Other exposure classes	806	277
Securitisation exposures	404	705
Equity risk	4 005	4 297
Listed equities	305	847
Unlisted equities	3 700	3 450
Counterparty credit risk	569	576
Credit valuation adjustment risk	185	32
Market risk	475	324
Interest rate	66	88
Foreign exchange	212	113
Commodities	4	10
Equities	193	113
Operational risk – standardised approach	1 847	1 492

Risk-weighted assets

At 31 March R'million	2016	2015
Risk-weighted assets	**295 752**	**257 931**
Credit risk – prescribed standardised exposure classes	227 504	190 717
Corporates	127 985	115 047
Secured on real estate property	28 361	19 230
Short-term claims on institutions and corporates	47 001	32 420
Retail	4 660	5 488
Institutions	7 838	8 717
Other exposure classes	7 766	2 770
Securitisation exposures	3 893	7 045
Equity risk	38 603	42 967
Listed equities	2 937	8 472
Unlisted equities	35 666	34 495
Counterparty credit risk	5 486	5 762
Credit valuation adjustment risk	1 783	324
Market risk	4 578	3 240
Interest rate	636	878
Foreign exchange	2 039	1 134
Commodities	46	96
Equities	1 857	1 132
Operational risk – standardised approach	17 798	14 921

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	2016	2015
Opening common equity tier 1 capital	**28 315**	**24 487**
Dividends	(120)	(135)
Profit after taxation	3 475	3 128
Movement in other comprehensive income	(389)	305
Goodwill and intangible assets (deduction net of related tax liability)	(505)	(88)
Other, including regulatory adjustments and transitional arrangements	699	618
Closing common equity tier 1 capital	**31 475**	**28 315**
Opening additional tier 1 capital	1 073	1 227
Other, including regulatory adjustments and transitional arrangements	(153)	(154)
Closing additional tier 1 capital	**920**	**1 073**
Closing tier 1 capital	**32 395**	**29 388**
Opening tier 2 capital	**10 319**	**10 670**
New tier 2 capital issues	1 360	–
Redeemed capital	(1 283)	(250)
Collective impairment allowances	60	(2)
Other, including regulatory adjustments and transitional arrangements	270	(99)
Closing tier 2 capital	**10 726**	**10 319**
Closing total regulatory capital	**43 121**	**39 707**

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

As at 31 March	2016	2015
Common equity tier 1 (as reported)	10.6%	11.0%
Common equity tier 1 (fully loaded)^^	10.6%	10.9%
Tier 1 (as reported)	11.0%	11.4%
Total capital adequacy ratio (as reported)	14.6%	15.4%
Leverage ratio* – permanent capital	7.5%#	8.5%#
Leverage ratio* – current	7.3%#	8.3%#
Leverage ratio* – 'fully loaded'^^	7.1%#	8.0%#

Based on revised BIS rules.

^^ *Based on the group's understanding of current and draft regulations 'Fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*

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

RISK MANAGEMENT

SUMMARY COMPARISON OF ACCOUNTING ASSETS VERSUS LEVERAGE RATIO EXPOSURE MEASURE

Line #	At 31 March R'million	2016	2015
1	Total consolidated assets as per published financial statements	405 629	332 706
	Adjustments for:		
2	Investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
4	Derivative financial instruments	(2 973)	(1 989)
5	Securities financing transactions (i.e. repo's and similar secured lending)	389	(2 756)
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	38 519	24 960
7	Other adjustments	(693)	(190)
8	**Leverage ratio exposure**	**440 871**	**352 731**

LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Line #	At 31 March R'million	2016	2015
	Leverage ratio framework		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	350 873	307 433
2	Asset amounts deducted in determining Basel III Tier 1 capital	(693)	(190)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**350 180**	**307 243**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	9 673	8 081
5	Add-on amounts for PFE associated with all derivatives transactions	3 197	5 108
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	–	–
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 lines 4 to 10)**	**12 870**	**13 189**
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	34 936	6 672
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	Counterparty Credit Risk (CCR) exposures for SFT assets	4 366	667
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**39 302**	**7 339**
17	Off-balance sheet exposure at gross notional amount	90 589	80 821
18	Adjustments for conversion to credit equivalent amounts	(52 070)	(55 861)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**38 519**	**24 960**
20	Tier 1 capital	32 395	29 388
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**440 871**	**352 731**
22	**Basel III leverage ratio**	**7.3%**	**8.3%**

Four

Revised quantitative standardised tables and templates

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

			a	b	c
			Risk-weighted assets		Minimum capital requirements
R'million		Notes	31 March 2016	31 December 2015	31 March 2016
1	**Credit risk (excluding counterparty credit risk) (CCR)**		**223 367**	**221 668**	**23 174**
2	Of which standardised approach (SA)		223 367	221 668	23 174
3	Of which internal rating-based (IRB) approach		–	–	–
4	**Counterparty credit risk**	N1	**7 269**	**9 543**	**754**
5	Of which standardised approach for counterparty credit risk (CEM)		7 269	9 543	754
6	Of which internal model method (IMM)		–	–	–
7	**Equity positions in banking book under market-based approach**		**38 603**	**45 508**	**4 005**
8	Equity investments in funds – look-through approach		–	–	–
9	Equity investments in funds – mandate-based approach		–	–	–
10	Equity investments in funds – fall-back approach		–	–	–
11	Settlement risk		–	–	–
12	**Securitisation exposures in banking book**		**3 893**	**4 907**	**404**
13	Of which IRB ratings-based approach (RBA)		–	–	–
14	Of which IRB supervisory formula approach (SFA)		–	–	–
15	Of which SA/simplified supervisory formula approach (SSFA)		3 893	4 907	404
16	**Market risk**	N2	**4 578**	**4 151**	**475**
17	Of which standardised approach (SA)		394	844	41
18	Of which internal model approaches (IMM)		4 184	3 307	434
19	**Operational risk**	N2	**17 798**	**16 522**	**1 847**
20	Of which basic indicator approach		–	–	–
21	Of which standardised approach		17 798	16 522	1 847
22	Of which advanced measurement approach		–	–	–
23	**Amounts below the thresholds for deduction (subject to 250% risk-weight)**	N3	**244**	**225**	**25**
24	Floor adjustment		–	–	–
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**		**295 752**	**302 524**	**30 684**

The minimum capital requirements in column (c) are determined based on the SARB minimum capital requirements of 10.375% and excludes Investec's DSIB and Pillar II add-on in line with Banks Act circular 5/2014.

Movement is risk-weighted assets (RWA)

The Bank's RWA decreased from R302.5 billion in December 2015 to R295.8 billion mainly associated with a reduction of equity exposures in the bank due to a change in the regulatory treatment of our investment into the Investec Property Fund from an investment in listed equity to proportionate consolidation.

Credit risk-weighted assets grew by R1.7 billion mainly associated with growth over the period. Operational risk grew by R1.3 billion, a function of higher profitability, noting that the calculation is updated twice annually in September and March each year. The increases were partially offset by a reduction in counterparty credit risk and securitisation exposures.

Notes:

N1: The group applied the current exposure method (CEM) to calculate required capital for OTC exposures and the standardised approach (TSA) for security finance transactions (SFT). Counterparty credit risk RWA is the sum of OTC and SFT (reported in subsequent CCR tables). Central counterparty and our default fund contribution exposure, although immaterial to the overall CCR RWA at 0.1%, will be reported as part of Pillar III from 2017.

N2: Market risk and operational risk RWA reported is derived by multiplying calculated required capital with 12.5.

N3: Values relate to deferred tax exposures (below the specified 10% threshold) risk-weighted at 250%.

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 2016 R'million	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**
Assets		
Cash and balances at central banks	7 801	7 801
Loans and advances to banks	26 779	26 779
Non-sovereign and non-bank cash placements	9 858	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	38 912	38 912
Sovereign debt securities	41 325	41 325
Bank debt securities	13 968	13 968
Other debt securities	12 761	12 761
Derivative financial instruments	15 843	15 843
Securities arising from trading activities	992	992
Investment portfolio	6 360	3 976
Loans and advances to customers	207 272	207 272
Own originated loans and advances to customers securitised	7 967	7 967
Other loans and advances	367	367
Other securitised assets	115	115
Interests in associated undertakings	5 145	5 145
Deferred taxation assets	116	116
Other assets	3 656	3 696
Property and equipment	236	236
Investment properties	1	4 141
Goodwill	171	171
Intangible assets	524	524
Intergroup	5 460	5 472
Investment in subsidiaries	–	–
Non-current assets classified as held for sale	–	–
	405 629	**407 437**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–
	405 629	**407 437**
Liabilities		
Deposits by banks	37 242	37 951
Derivative financial instruments	13 424	13 424
Other trading liabilities	1 405	1 405
Repurchase agreements and cash collateral on securities lent	16 916	16 916
Customer accounts (deposits)	279 736	279 736
Debt securities in issue	7 665	8 302
Liabilities arising on securitisation of own originated loans and advances	809	809
Liabilities arising on securitisation of other assets	–	–
Current taxation liabilities	671	677
Deferred taxation liabilities	122	122
Other liabilities	5 042	5 113
	363 032	**364 455**
Liabilities to customers under investment contracts	–	–
Insurance liabilities, including unit-linked liabilities	–	–
	363 032	**364 455**
Subordinated liabilities	10 732	10 732
	373 764	**375 187**

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 column (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
7 801	–	–	–	–
26 779	–	–	3 335	–
9 858	–	–	–	–
5 467	33 445	–	7 655	–
41 325	–	–	–	–
13 968	–	–	–	–
9 204	–	3 557	–	–
–	15 843	–	17 053	–
–	–	–	992	–
3 976	–	–	–	–
207 066	–	206	–	–
6 758	–	1 209	–	–
367	–	–	–	–
	–	115	–	–
5 145	–	–	–	–
116	–	–	–	–
3 696	–	–	–	–
236	–	–	–	–
4 141	–	–	–	–
–	–	–	–	171
–	–	–	–	524
5 472	–	–	89	–
–	–	–	–	–
–	–	–	–	–
351 375	**49 288**	**5 087**	**29 124**	**695**
–	–	–	–	–
351 375	**49 288**	**5 087**	**29 124**	**695**
–	–	–	20	–
–	13 424	–	26 091	–
–	–	–	1 405	–
–	16 916	–	1 553	–
–	–	–	–	–
–	–	–	–	–
–	–	809	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	**30 340**	**809**	**29 069**	**–**
–	–	–	–	–
–	–	–	–	–
–	**30 340**	**809**	**29 069**	**–**
–	–	–	–	–
–	**30 340**	**809**	**29 069**	**–**

Exposures subject to the counterparty credit risk (CCR) framework in column (d) include exposures in the banking and trading book in line with regulatory requirements. CCR exposures in the trading book also attract 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 deducted from regulatory capital and reserve funds.

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 2016 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)**	**351 375**	**5 087**	**49 288**	**29 124**
2	Liabilities carrying value amount of exposures under scope of regulatory consolidation	–	(809)	(30 340)	(29 069)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	351 375	4 278	18 948	55
4	Differences in valuations	2 223	898	–	–
5	Differences due to consideration of provisions	947	–	–	–
6	**On-balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**354 545**	**5 176**	**18 948**	**55**
7	Off-balance sheet amount	90 125	15	–	–
8	**Total exposure considered for regulatory purposes**	**444 670**	**5 191**	**18 948**	**55**

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 relates 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 amount are considered gross of impairment. The provision amount of R947 million consists of both the specific and portfolio impairment values.

The off-balance sheet exposure of R90.1 billion is the regulatory exposure before CRM and CCF (R16.6 billion post CRM and CCF). The variance between the off-balance sheet exposure on page 31 of R63.9 billion and the regulatory exposure pre CRM and CCF relate to the exclusion of revocable facilities.

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

		a	b	c	d
		Gross carrying values of			
At 31 March 2016 R'million		**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values (a+b-c)**
1	**Loans**	**3 253**	**213 299**	**(947)**	**215 606**
1a	Loans and advances to customers	3 206	204 975	(910)	207 271
1b	Own originated loans and advances to customers	–	7 973	(6)	7 967
1c	Other loans and advances	47	351	(31)	367
2	**Debt securities**	**–**	**77 912**	**–**	**77 912**
2a	Non-sovereign and non-bank cash placements	–	9 858	–	9 858
2b	Sovereign debt securities	–	41 325	–	41 325
2c	Bank debt securities	–	13 968	–	13 968
2d	Other non-structured debt securities	–	11 990	–	11 990
2e	Other structured debt securities	–	771	–	771
2f	Other securitised assets	–	–	–	–
3	**Off-balance sheet exposures**	**–**	**63 926**	**–**	**63 926**
4	**Total**	**3 253**	**355 137**	**(947)**	**357 443**

Net values reported in CR1 column (d) above are reported as the carrying accounting values per the financial statements whereas values in 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 CRM and CCF and exclude revocable commitments.

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

The table below depicts the changes in a bank'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 2015**	**3 827**
2	Loans and debt securities that have defaulted since the last reporting period	1 486
3	Returned to non-defaulted status	(327)
4	Amounts written off	(1 122)
5	Other changes	(611)
6	**Defaulted loans and debt securities at 31 March 2016**	**3 253**

Prior period exposures are as at 31 March 2015 and are reported net of write offs and gross of impairments.

Other changes relate to settlements received from clients during the period.

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 utilised by bank.

		a	b	c	d	e	f	g
At 31 March 2016 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	205 399	29 393	21 177	10 389	8 528	–	–
2	Debt securities	52 266	11 634	3 341	775	775	–	–
	Off-balance sheet	13 011	3 734	3 512	333	300	–	–
3	**Total**	**270 676**	**44 761**	**28 030**	**11 497**	**9 603**	**–**	**–**
4	Of which defaulted	1 501	764	20	11	11	–	–

Secured exposure values in columns (b) and (d) are reported as the EAD balance, after the application of CCFs but before the application of any CRM. Columns (c) and (e) relates to the portion of the EAD balance, secured by eligible collateral as measures post any haircuts and include cash, debt securities, listed shares and shares traded on a main index as defined by Basel. Eligible collateral excluded exposures secured by residential and commercial property and is disclosed as unsecured for regulatory purposes. Refer to page 40 for a detailed list of all collateral considered from an internal credit risk management perspective.

All exposures not secured by either eligible collateral or guarantees is regarded as unsecured for purposes of this table and a regulatory perspective.

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 2016 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	54 595	2 680	56 435	183	1 140	2.01%
2	Non-central government public sector entities	5 818	2 434	5 980	271	1 320	21.12%
3	Multilateral development banks	43	33	43	16	30	50.85%
4	Banks	39 086	4 886	42 034	37	14 507	34.48%
5	Securities firms	–	–	–	–	–	–
6	Corporates	115 284	48 829	102 574	5 604	102 704	94.94%
7	Regulatory retail portfolios	7 441	7 514	7 869	1 364	7 174	77.70%
8	Secured by residential property	48 493	15 261	48 493	7 090	20 360	36.63%
9	Secured by commercial real estate	63 513	8 152	63 085	1 990	65 002	99.89%
10	Equity	9 335	–	9 335	–	38 603	413.53%
11	Past-due loans	3 182	336	2 666	11	3 471	129.66%
12	Higher risk categories	–	–	–	–	–	–
13	Other assets	7 755	–	7 755	–	7 902	101.90%
14	**Total**	**354 545**	**90 125**	**346 269**	**16 566**	**262 213**	**72.27%**

RWA is largely driven by exposures to corporates (39.2%), followed by exposures secured by property (32.6%) and equity exposures (14.7%).

At an aggregate exposure to RWA level, the bank applied a 72.3% average risk weight to all credit and equity exposures measured at an E* level.

The following is further relevant to the table:

The carrying value of exposures considered for credit risk of R351 billion in LI1 compared to the R381 billion on page 26 are largely as a result of the different classification of exposures between equity, derivative and securitisation risk assessed from an internal risk management perspective compared to a regulatory classification in LI2 of R355 billion.

The table presented also defers from the table on page 26 for the following reasons:

- The primary asset class, as defined for regulatory purposes, except where an eligible guarantee/direct credit substitute are in place where we used the substituted asset class, formed the basis to disclose asset classes. As an example, exposures secured by property that are transacted with corporates were disclosed as corporate exposures
- Past due assets are disclosed separately independent of asset class.

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

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

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

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

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

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

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

		a	b	c
At 31 March 2016 **R'million**		**0%**	**10%**	**20%**
	Risk weight			
	Asset classes			
1	Sovereigns and their central banks	54 916	–	–
2	Non-central government public sector entities (PSEs)	–	–	6 026
3	Multilateral development banks (MDBs)	–	–	–
4	Banks	155	–	23 207
5	Securities firms	–	–	–
6	Corporates	4 168	–	1 116
7	Regulatory retail portfolios	–	–	5
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**	**59 239**	**–**	**30 354**

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)
–	1 122	–	580	–	–	56 618
–	220	–	5	–	–	6 251
–	59	–	–	–	–	59
–	17 686	–	1 023	–	–	42 071
–	–	–	–	–	–	–
–	867	–	102 027	–	–	108 178
–	–	8 221	1 007	–	–	9 233
53 317	–	2 266	–	–	–	55 583
–	146	–	64 929	–	–	65 075
–	–	–	–	–	9 335	9 335
–	124	–	841	1 712	–	2 677
–	–	–	–	–	–	–
–	–	–	7 657	–	98	7 755
53 317	**20 225**	**10 487**	**178 068**	**1 712**	**9 433**	**362 835**

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

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

		a	b	c	d	e	f
At 31 March 2016 R'million		**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	CEM-CCR (for derivatives)	9 421	2 747		1.0	5 595	4 340
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)	–	–	–	–	4 366	1 138
5	VaR for SFTs	–	–	–	–	–	–
6	**Total**						**5 478**

Counterparty credit risk RWA of R7.3 billion (including CCR, CVA and CCPs), represent 2.4% of the total bank RWA as at 31 March 2016.

CEM is the regulator-prescribed method for calculating the counterparty exposure for derivative instruments. It works by taking the net replacement cost of all derivatives (as per signed netting agreements when relevant), adding a potential future exposure (PFE) component (based on the notional and underlying type referred to as Anet) 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. The standardised approach (SA-CCR) for measuring exposure at default for counterparty credit risk will be applicable from 1 January 2017.

Replacement cost in column (a) is reported as the net replacement amount that includes the effect of exposures transacted through bilateral ISDA agreements.

PFE in column (b) is reported as the Anet amount.

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

		a	b
	At 31 March 2016 **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	5 211	1 783
4	**Total subject to the CVA capital charge**	**5 211**	**1 783**

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.

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 calculated according to the standardised approach: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to standardised approach).

	Risk weight		
	a	b	c
At 31 March 2016 R'million	**0%**	**10%**	**20%**
Regulatory portfolio			
Sovereigns	–	–	–
Non-central government public sector entities (PSEs)	–	–	118
Multilateral development banks	–	–	–
Banks	23	–	4 259
Securities firms	77	–	–
Corporates	–	–	–
Regulatory retail portfolios	–	–	–
Other assets	–	–	–
Total	**100**	**–**	**4 377**

The table above excludes all CVA exposures that are reported in CCR2 as well as exposures to central counterparties that will be reported from 2017.

Risk weight					
d	e	f	g	h	i
50%	75%	100%	150%	Others	Total credit exposure
–	–	–	–	–	–
–	–	–	–	–	118
–	–	–	–	–	–
1 727	–	–	–	–	6 009
9	–	–	–	–	86
25	–	3 722	–	–	3 747
–	–	–	–	–	–
–	–	–	–	–	–
1 761	**–**	**3 722**	**–**	**–**	**9 960**

Counterparty credit risk
CCR5: Composition of collateral for CCR exposure

The following table provides a breakdown of all 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	
At 31 March 2016 R'million	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	708	–	636	–	1 553	33 383
Cash – other currencies	440	–	12 308	–	–	–
Domestic sovereign debt	–	–	–	–	18 680	1 548
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	74	5
Corporate bonds	827	–	–	–	11 108	–
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	**1 975**	**–**	**12 944**	**–**	**31 415**	**34 936**

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

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

At 31 March 2016 R'million	a Protection bought	b Protection sold
Notionals		
Single-name credit default swaps	109	42
Index credit default swaps	100	100
Total notionals	**209**	**142**
Fair values		
Positive fair value (asset)	46	1 397
Negative fair value (liability)	(4)	(1)

The bank does not make use of any credit derivative instruments for the purpose of reducing capital requirements. The table above displays our exposure to traded credit derivative instruments.

Securitisation
SEC1: Securitisation exposures in the banking book

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

	a	b	c
	Bank acts as originator		
At 31 March 2016 **R'million**	**Traditional**	**Synthetic**	**Sub-total**
Retail (total) – of which	1 428	–	1 428
residential mortgage	1 428	–	1 428
credit card	–	–	–
other retail exposures	–	–	–
resecuritisation	–	–	–
Wholesale (total) – of which	–	–	–
loans to corporates	–	–	–
commercial mortgage	–	–	–
lease and receivables	–	–	–
other wholesale	–	–	–
resecuritisation	–	–	–

The bank has only been involved in traditional securitisation schemes and none of the underlying assets or exposures relates to resecuritised assets. Exposures related to Fox Street 3, 4 and 5 special purposes institution (SPI) structures issued for purposes of the credit liquidity facility (CLF), are reported via the look-through approach as part of credit assets per the requirements of Banks Act guidance note 5 of 2015.

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

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

Asset classes/rows reported above are classified based on the underlying exposure or security type.

(continued)

	e	f	g	i	j	k
	Bank acts as sponsor			Bank acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
	–	–	–	2 576	–	2 576
	–	–	–	2 576	–	2 576
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	1 187	–	1 187
	–	–	–	1 187	–	1 187
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–

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

FOUR

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 2016 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
Total exposures	**–**	**1 413**	**15**	**–**	**–**	**–**	**–**
Traditional securitisation	–	1 413	15	–	–	–	–
Of which securitisation	–	1 413	15	–	–	–	–
Of which retail underlying	–	1 413	15	–	–	–	–
Of which wholesale	–	–	–	–	–	–	–
Of which resecuritisation	–	–	–	–	–	–	–
Of which senior	–	1 413	15	–	–	–	–
Of which non-senior	–	–	–	–	–	–	–
Synthetic securitisation	–	–	–	–	–	–	–
Of which securitisation	–	–	–	–	–	–	–
Of which retail underlying	–	–	–	–	–	–	–
Of which wholesale	–	–	–	–	–	–	–
Of which resecuritisation	–	–	–	–	–	–	–
Of which senior	–	–	–	–	–	–	–
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.

(continued)

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		RWA (by regulatory approach)				Capital charge after cap			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
1 428	**–**	**–**	**–**	**621**	**–**	**–**	**–**	**64**	**–**
1 428	–	–	–	621	–	–	–	64	–
1 428	–	–	–	621	–	–	–	64	–
1 428	–	–	–	621	–	–	–	64	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
1 428	–	–	–	621	–	–	–	64	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

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 SPIs. The capital charge is calculated at 10.375%.

Securitisation risk
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 2016 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**
Total exposures	**126**	**2 263**	**–**	**1 374**	**–**	**–**	**–**
Traditional securitisation	126	2 263	–	1 374	–	–	–
Of which securitisation	126	2 263	–	1 374	–	–	–
Of which retail underlying	126	2 263	–	188	–	–	–
Of which wholesale	–	–	–	1 187	–	–	–
Of which resecuritisation	–	–	–	–	–	–	–
Of which senior	126	–	–	1 187	–	–	–
Of which non-senior	–	2 263	–	188	–	–	–
Synthetic securitisation	–	–	–	–	–	–	–
Of which securitisation	–	–	–	–	–	–	–
Of which retail underlying	–	–	–	–	–	–	–
Of which wholesale	–	–	–	–	–	–	–
Of which resecuritisation	–	–	–	–	–	–	–
Of which senior	–	–	–	–	–	–	–
Of which non-senior	–	–	–	–	–	–	–

Columns (a) to (e) include to 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.

(continued)

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		RWA (by regulatory approach)				Capital charge after cap			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
3 763	**–**	**–**	**–**	**3 273**	**–**	**–**	**–**	**340**	**–**
3 763	–	–	–	3 273	–	–	–	340	–
3 763	–	–	–	3 273	–	–	–	340	–
2 576	–	–	–	1 813	–	–	–	188	–
1 187	–	–	–	1 459	–	–	–	151	–
–	–	–	–	–	–	–	–	–	–
1 312	–	–	–	1 485	–	–	–	154	–
2 451	–	–	–	1 788	–	–	–	186	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

Market risk
MR1: Market risk under standardised approach

		a
	At 31 March 2016 R'million	**Risk-weighted assets**
	Outright products	
1	Interest rate risk (general and specific)	229
2	Equity risk (general and specific)	166
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	–
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**395**

The interest rate general and specific risk is attributed to the credit trading desk, which does not currently have internal model approval for regulatory capital. The Equity general and specific risk relates to certain products on the desk which have not be incorporated into the internal VaR model. These positions are small relative to the total book. RWA in this table is derived by multiplying the capital required by 12.5.

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

At 31 March 2016 R'million		a VaR	b Stressed VaR	c IRC	d CRM	e Other	f Total RWA
1	RWA at previous quarter end	959	2 348	–	–	–	3 307
2	Movement in risk levels	184	693	–	–	–	877
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	1 143	3 041	–	–	–	4 184

The increase in risk-weighted assets is mainly due to an increase in VaR and stressed VaR exposures across all trading desks. This is expected as the previous quarter was the end of December 2015. Risk exposures are typically lower during mid December to early January due to the holiday season. The increase is therefore a result of normal trading activity. RWA in this table is derived by multiplying the capital required by 12.5.

Market risk
MR3: IMA values for trading portfolios

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

		a
At 31 March 2016 R'million		**VaR (10-day 99%)**
1	Maximum value	38
2	Average value	22
3	Minimum value	10
4	Period end	21
		Stressed VaR (10-day 99%)
5	Maximum value	105
6	Average value	54
7	Minimum value	16
8	Period end	74
		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 2016. The 10-day figures were obtained by multiplying the one-day figures by SQRT(10).

Five

Composition of capital
disclosure requirements

At 31 March 2016 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	13 398
2	Retained earnings	17 030
3	Accumulated other comprehensive income (and other reserves)	(97)
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**	**30 331**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustment	–
8	Goodwill (net of related tax liability)	171
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	524
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	(1 839)
12	Shortfall of provisions to expected losses	–
13	Securitisation gain on sale	–
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–
15	Defined benefit pension fund	–
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–
17	Reciprocal cross-holdings in common equity	–
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own 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)	–
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	–
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–
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**	**(1 144)**
29	**Common Equity Tier 1 Capital (CET1) (line 6 less line 28)**	**31 475**

At 31 March 2016 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	–
31	of which: classified as equity under applicable accounting standards	–
32	of which: classified as liabilities under applicable accounting standards	–
33	Directly issued capital instruments subject to phase out from Additional Tier 1	920
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	–
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–
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)**	**32 395**
Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	3 965
47	Directly issued capital instruments subject to phase out from Tier 2	6 532
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	229
51	Tier 2 capital before regulatory adjustments	10 726
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	–
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–
57	**Total regulatory adjustments to Tier 2 capital**	**–**
58	**Tier 2 capital (T2)**	**10 726**

At 31 March 2016 R'million		Amounts subject to pre-Basel III treatment
59	**Total capital (TC = T1 + T2)**	**43 121**
	RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	295 752
	of which: Credit risk including equity exposures	266 107
	of which: Counterparty credit risk	7 269
	of which: Market risk	4 578
	of which: Operational risk	17 798
60	**Total risk-weighted assets**	**295 752**
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.6%
62	Tier 1 (as a percentage of risk-weighted assets)	11.0%
63	Total capital (as a percentage of risk-weighted assets)	14.6%
64	Institution specific buffer requirement (minimum CET1 requirements plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk-weighted assets)	6.9%
65	of which: capital conservation buffer requirement	–
66	of which: bank specific countercyclical buffer requirement	–
67	of which: G-SIB buffer requirement	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	10.6%
National Minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	6.9%
70	National Tier 1 minimum ratio	8.1%
71	National total capital minimum ratio	10.4%
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	–
74	Mortgage servicing rights (net of related tax liability)	–
75	Deferred tax assets arising from temporary differences (net of related tax liability)	98
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)	229
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2 814
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)	–

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Disclosure template for main features of regulatory capital instruments

At 31 March 2016	Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IV08	IV09
1 Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted	ZAE000048393	ZAG000052713	ZAG000052721
3 Governing law(s) of the instrument	South Africa	South Africa	South Africa	South Africa
Regulatory treatment				
4 Transitional Basel III rules	CET1	AT1	Tier 2	Tier 2
5 Post-transitional Basel III rules	CET1	AT1	Phased out	Phased out
6 Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7 Instrument type (types to be specified by each jurisdiction)	CET1	AT1	Subordinated unsecured debt	Subordinated unsecured debt
8 Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) 1 (R'million)	13 398	1 534	200	200
9 Par value of instrument (R'million)	13 398	1 534	200	200
10 Accounting classification	IFRS: Equity	IFRS: Equity	IFRS: Accrual	IFRS: Accrual
11 Original date of issuance	31 March 1969	17 July 2003	30 April 2008	30 April 2008
12 Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13 Original maturity date	No maturity	No maturity	No maturity	No maturity
14 Issuer call subject to prior supervisory approval	No	No	Yes	Yes
15 Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	30 April 2018	30 April 2018
Tax and/or regulatory event	Not applicable	Not applicable	Yes	Yes
Redemption amount	Not applicable	Not applicable	100% of principal plus interest	100% of principal plus interest
16 Subsequent call date, if applicable	Not applicable	Not applicable	Every reset date thereafter	Every reset date thereafter
Coupons / dividends				
17 Fixed or floating dividend coupon	Floating	Floating	Fixed	Floating
18 Coupon rate and any related index	Not applicable	83.33% of Prime rate	13.735%	JIBAR + 3.75%
19 Existence of a dividend stopper	No	Yes	No	No
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21 Existence of step up or other incentive to redeem	Not applicable	Not applicable	Yes	Yes
22 Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative

	IV015	IV016	IV017	IV019	IV019A	IV022
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000080755	ZAG000091208	ZAG000091232	ZAG000094442	ZAG000095779	ZAG000094434
	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
	Phased out	Phased out	Phased out	Tier 2	Tier 2	Phased out
	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
	Subordinated unsecured debt	Subordinated unsecured debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
	601	325	2 194	92	339	638
	601	325	1 716	64	230	638
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	20 September 2010	6 December 2011	6 December 2011	2 April 2012	28 May 2012	2 April 2012
	Dated	Dated	Dated	Dated	Dated	Dated
	20 September 2022	6 December 2021	31 January 2022	31 March 2028	31 March 2028	2 April 2022
	Yes	Yes	Yes	Yes	Yes	Yes
	20 September 2017	6 December 2016	31 January 2017	31 March 2023	3 April 2023	2 April 2017
	Yes	Yes	Yes	Yes	Yes	Yes
	100% of principal plus interest	100% of principal plus interest	Investment amount plus interest plus change in price of replicated bond	Investment amount plus interest plus change in price of replicated bond	Investment amount plus interest plus change in price of replicated bond	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	Floating	Floating	Floating	Floating	Floating
	JIBAR + 2.65%	JIBAR + 2.75%	CPI linked	CPI-linked	CPI-linked	JIBAR + 2.5%
	No	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	Yes	No	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Disclosure template for main features of regulatory capital instruments

(continued)

At 31 March 2016	Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IV08	IV09	
23 Convertible or non-convertible	Not applicable	Not applicable	Non-convertible	Non-convertible	
24 if convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	
25 if convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	
26 if convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	
27 if convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	
28 if convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable	
29 if convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable	
30 Write-down feature	Not applicable	Not applicable	Not applicable	Not applicable	
31 If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	
32 If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable	
33 If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable	
34 If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable	
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1 instruments	Tier 2 instruments	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	
36 Non-compliant transitioned features	Not applicable	Yes	Yes	Yes	
37 If yes, specify non-compliant features	Not applicable	Excludes loss absorbency requirements	Incentive to redeem	Incentive to redeem	

	IV015	IV016	IV017	IV019	IV019A	IV022
	Non-convertible	Non-convertible	Non-convertible	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	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
	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	Not applicable	Not applicable	PONV as defined by regulator	PONV as defined by regulator	Not applicable
	Not applicable	Not applicable	Not applicable	Partial or full, as deemed required by regulator	Partial or full, as deemed required by 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
	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
	Yes	Yes	Yes	No	No	Yes
	Incentive to redeem	No PONV in contract	No PONV in contract	Not applicable	Not applicable	No PONV in contract

Disclosure template for main features of regulatory capital instruments

(continued)

At 31 March 2016	IV023	IV024	IV025	IV026
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)	ZAG000097064	ZAG000097577	ZAG000099680	ZAG000100041
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	Phased out	Tier 2	Phased out	Phased out
6 Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo	Group and solo
7 Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8 Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) 1 (R'million)	860	106	1 000	750
9 Par value of instrument (R'million)	860	106	1 000	750
10 Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11 Original date of issuance	11 July 2012	27 July 2012	12 September 2012	27 September 2012
12 Perpetual or dated	Dated	Dated	Dated	Dated
13 Original maturity date	11 July 2022	27 July 2022	12 September 2024	27 September 2024
14 Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15 Optional call date, contingent call dates and redemption amount	11 July 2017	27 July 2017	12 September 2019	27 September 2019
Tax and/or regulatory event	Yes	Yes	Yes	Yes
Redemption amount	100% of principal plus interest	100% of principal plus interest	100% of principal plus interest	100% of principal plus interest
16 Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
Coupons / dividends				
17 Fixed or floating dividend coupon	Floating	Floating	Floating	Floating
18 Coupon rate and any related index	JIBAR + 2.5%	JIBAR + 2.7%	JIBAR + 2.5%	JIBAR + 2.45%
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

	IV030	IV030A	IV031	IV032	IV033	IV034	IV035
	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
	ZAG000100553	ZAG000100884	ZAG000103722	ZAG000108051	ZAG00013342	ZAG000133430	ZAG000134610
	South Africa	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	Tier 2	Tier 2
	Group and solo	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	Subordinated debt
	365	392	500	810	159	101	1 100
	324	350	500	810	159	101	1 100
	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
	18 October 2012	26 October 2012	11 March 2013	14 August 2013	11 February 2016	11 February 2016	17 March 2016
	Dated	Dated	Dated	Dated	Dated	Dated	Dated
	31 January 2025	31 January 2025	11 March 2025	14 August 2023	11 February 2026	11 February 2026	7 April 2027
	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	31 January 2020	31 January 2020	11 March 2020	14 August 2018	11 February 2021	11 February 2021	7 April 2022
	Yes	Yes	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 and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest
	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Floating	Floating	Floating	Floating	Floating	Fixed	Floating
	CPI-linked	CPI-linked	JIBAR + 2.95%	JIBAR + 2.95%	JIBAR + 4.25%	12.47%	JIBAR + 4.65%
	No	No	No	No	No	No	No
	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
	No	No	No	No	No	No	No
	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Disclosure template for main features of regulatory capital instruments

(continued)

At 31 March 2016	IV023	IV024	IV025	IV026
23 Convertible or non-convertible	Non-convertible	Convertible or write-off as per regulation, at option of regulator	Non-convertible	Non-convertible
24 if convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25 if convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26 if convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27 if convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28 if convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29 if convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable
30 Write-down feature	Not applicable	Partial or full write-off as per regulation, at option of regulator	Not applicable	Not applicable
31 If write-down, write-down trigger(s)	Not applicable	PONV as defined by regulator	Not applicable	Not applicable
32 If write-down, full or partial	Not applicable	Partial or full, as deemed required by regulator	Not applicable	Not applicable
33 If write-down, permanent or temporary	Not applicable	Permanent as per G7/2013	Not applicable	Not applicable
34 If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	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	Yes	No	Yes	Yes
37 If yes, specify non-compliant features	No PONV in contract	Not applicable	No PONV in contract	No PONV in contract

Note 1

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

	IV030	IV030A	IV031	IV032	IV033	IV034	IV035
	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	Convertible or write-off as per regulation, at option of regulator
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	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	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	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	Permanent as per G7/2013
	Not applicable	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	Any amounts due and payable to Senior Creditors
	No	No	No	No	No	No	No
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Six

Annexure

Requirement	Key risk/Section of key risk	Page number
OVA – Bank risk management approach		
Our risk management objectives and policies are disclosed in relation to 10 key risks as highlighted by the board of directors. The requirements of table OVA are therefore discussed in relation to these 10 key risks.		
(a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board	Credit risk	17
	Investment risk	41
	Traded market risk	45
	Balance sheet risk	48
	Liquidity risk	49
	Reputational risk	64
	Legal risk	64
	Conduct risk	65
	Capital management risk	66
	Operational risk	61
	Summary of risks during year in review	11 – 13
	Overview of our principle risks	15
(b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function)	Credit risk	17
	Investment risk	41
	Traded market risk	45
	Balance sheet risk	48
	Liquidity risk	49
	Reputational risk	64
	Legal risk	64
	Conduct risk	65
	Capital management risk	66
	Operational risk	61
(c) Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions)	*Applies to all key risks:*	
	Philosophy and approach to risk management	11
	Risk framework, committees and forums	16
	Risk management framework	66
(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	66
(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	12
	Summary of investments held and stress testing analysis	42
	Capital stress testing scenarios	67
	Stress testing is used as a mitigation technique against some of the key risks identified and is discussed in the mitigation section referenced below	

Requirement	Key risk/Section of key risk	Page number
(g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants	Credit risk	23
	Investment risk	41
	Traded market risk	48
	Balance sheet risk	48/ 55 – 56
	Liquidity risk	50
	Reputational risk	64
	Legal risk	64
	Conduct risk (mitigation techniques discussed as part of operational risk)	63
	Capital management risk	65
	Operational risk	63
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 – 75
(b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2	Refer to table LI1	76
(c) In accordance with the implementation of the guidance on prudent valuation, banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable	Property valuations	23
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	41
CRA – Banks must describe their risk management and policies for credit risk focusing in particular on:		
(a) How the business model translates into the components of the bank's credit risk profile	Credit and counterparty risk management	17 – 20
(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits		
(c) Structure and organisation of the credit risk management and control function		
(d) Relationships between the credit risk management, risk control, compliance and internal audit functions		
(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors		
CRB – Additional disclosure related to the credit quality of assets		
(a) The scope and definitions of 'past due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes	Asset quality analysis – credit risk classification and provisioning policy	21 – 22
(b) The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this		
(c) Description of methods used for determining impairments		

Requirement	Key risk/Section of key risk	Page number
(d) The bank's own definition of a restructured exposure and a breakdown of restructured exposures between impaired and not impaired exposures	*The SARB has standardised the definition of a restructured exposures in Banks Act Directive 7 of 2015.* *The group defines a restructure as an exposure, approved by the relevant credit committee, where a concession was granted to the obligor owing to a deterioration in the obligor's financial condition.* *The SARB directive on the categorisation and treatment of restructured loans has been implemented by the group. Impairments and asset quality reporting of restructured exposures are in line with the group's credit risk classification and provisioning policy as tabled on pages 21 and 22*	n/a
(e) Breakdown of exposures by geographical areas, industry and residual maturity	Gross on balance sheet exposure by geography	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	32
(g) Ageing analysis of accounting past due exposures	An age analysis of past due and default core loans and advances to customers	33 – 36
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	23
(b) Core features of policies and processes for collateral	Credit risk mitigation	23
(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	23 40
CRD – Qualitative disclosures on banks' use of external credit ratings under standardised approach for credit risk		
(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;	Management and measurement of credit and counterparty risk	18 – 19
(b) The asset classes for which each ECAI or ECA is used		
(c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book		
(d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply)	*The SARB has published a standard mapping table with which the bank has to comply*	n/a
CRE – Qualitative disclosures related to IRB models		
Not applicable as the bank follows the standardised approach for credit risk		

Requirement	Key risk/Section of key risk	Page number
Quantitative disclosures related to the IRB approach		
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)		
CCR8 – Exposures to central counterparties		
Exposures to central counterparties will be disclosed from 1 January 2017		
CCRA – Qualitative disclosures related to counterparty credit risk including:		
(a) Risk management objectives and policies related to counterparty credit risk	Credit and counterparty risk management	17 – 18
(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*	18
(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*	23
(d) Policies with respect to wrong-way risk exposures	Credit and counterparty risk management	17
(e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade	Philosophy and approach to risk management	11 – 13
SECA – Qualitative disclosure requirements related to securitisation exposures		
Banks must describe their risk management objectives and policies for securitisation activities and main features of these activities according to the framework below. If a bank holds securitisation positions reflected both in the regulatory banking book and in the regulatory trading book, the bank must describe each of the following points by distinguishing activities in each of the regulatory books.		
(a) The bank's objectives in relation to securitisation and resecuritisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities, the type of risks assumed and the types of risks retained	Securitisation/structured credit activities exposures	43 – 44
(b) The bank must provide a list of: • special purpose entities (SPEs) where the bank acts as sponsor but not as an originator such as an Asset Backed Commercial Paper (ABCP) conduit, indicating whether the bank consolidates the SPEs into its scope of regulatory consolidation • affiliated entities (i) that the bank manages or advises and (ii) that invest either in the securitisation exposures that the bank has securitised or in SPEs that the bank sponsors • a list of entities to which the bank provides implicit support and the associated capital impact for each of them (as required in paragraphs 551 and 564 of the securitisation framework)	Securitisation/structured credit activities exposures	43 – 44
(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		

Requirement	Key risk/Section of key risk	Page number
MRA – Qualitative disclosure requirements related to market risk		
Banks must describe their risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):		
(a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges	Market risk in the trading book	45 – 48
(b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management		
(c) Scope and nature of risk reporting and/or measurement systems		
MR4 – Comparison of VaR estimates with gains/losses		
Present a comparison of the results of estimates from the regulatory VaR model with both hypothetical and actual trading outcomes, to highlight the frequency and the extent of the backtesting exceptions, and to give an analysis of the main outliers in backtested results, as per Annex 10a part II of the Basel framework	VaR	46 – 47
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	65
(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	56 56 – 57
(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)	Interest rate sensitivity gap	58