INVESTEC BANK LIMITED
SALIENT FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

Out of the Ordinary®

Investec

Specialist Banking | Asset Management | Wealth & Investment

Corporate information

Secretary and registered office

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Sandown Sandton 2196
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Telephone (27) 11 286 7000
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Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

KPMG Inc.
Ernst & Young Inc.

Transfer secretaries

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27) 11 370 5000

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
David M Lawrence (deputy chairman)
Bradley Tapnack

Non-executive directors

Fani Titi (chairman)
Sam E Abrahams
Zarina Bassa
David Friedland
Khumo Shuenyane
Karl XT Socikwa*
Peter RS Thomas

* *Did not seek re-election at the annual general meeting on 6 August 2015.*

For queries regarding information in this document

Investor Relations

Telephone (27) 11 286 7070
e-mail: investorrelations@investec.com
Internet address:
www.investec.com/en_za/#home/investor_relations.html

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Overview of the period (unaudited)

Overview of Investec's and Investec Bank Limited's organisational structure

Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986

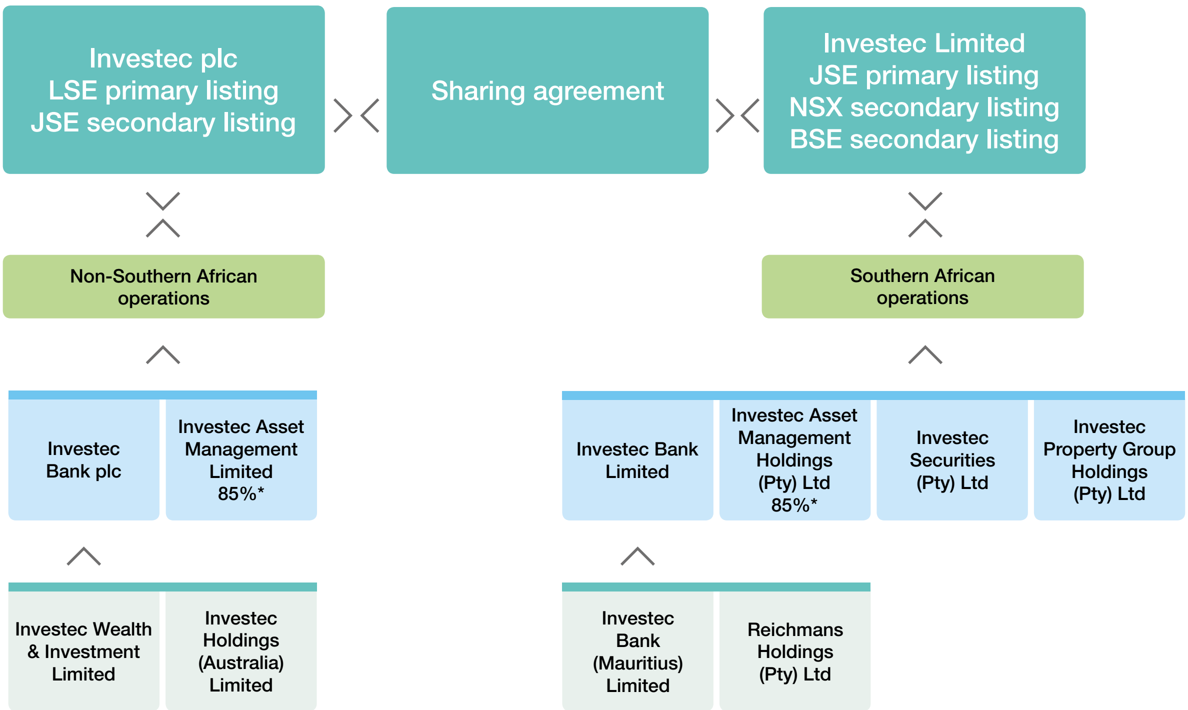
Operating structure

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange. Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

Our DLC structure and main operating subsidiaries at 30 September 2015



* *15% is held by senior management in the company.*

All shareholdings in the ordinary share capital of the subsidiaries are 100%.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

What we do

Specialist Banking...

Investec Bank Limited operates as a specialist bank within Southern Africa. The bank is operationally managed as a single banking entity within Investec Limited.

Corporates/government/institutional clients

Corporate Advisory and Investment activities

Advisory
Principal investments

Corporate Advisory and Investment activities engages in a range of investment banking activities and positions itself as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client-centric approach.

Our activities include advisory and principal investments.

Our target market includes corporates, government and institutional clients.

Corporate and Institutional Banking activities

Treasury and trading services
Specialised lending, funds and debt capital markets

Corporate and Institutional Banking activities provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

Our institutional stockbroking activities are conducted outside of the bank in Investec Securities (Pty) Ltd.

High-income and high net worth private clients

Private Banking activities

Transactional banking and foreign exchange
Lending
Deposits
Investments

Private Banking activities positions itself as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes ultra high net worth individuals, active wealthy entrepreneurs, high income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Integrated systems and infrastructure

Specialist expertise delivered with dedication and energy

Business head
Richard Wainwright

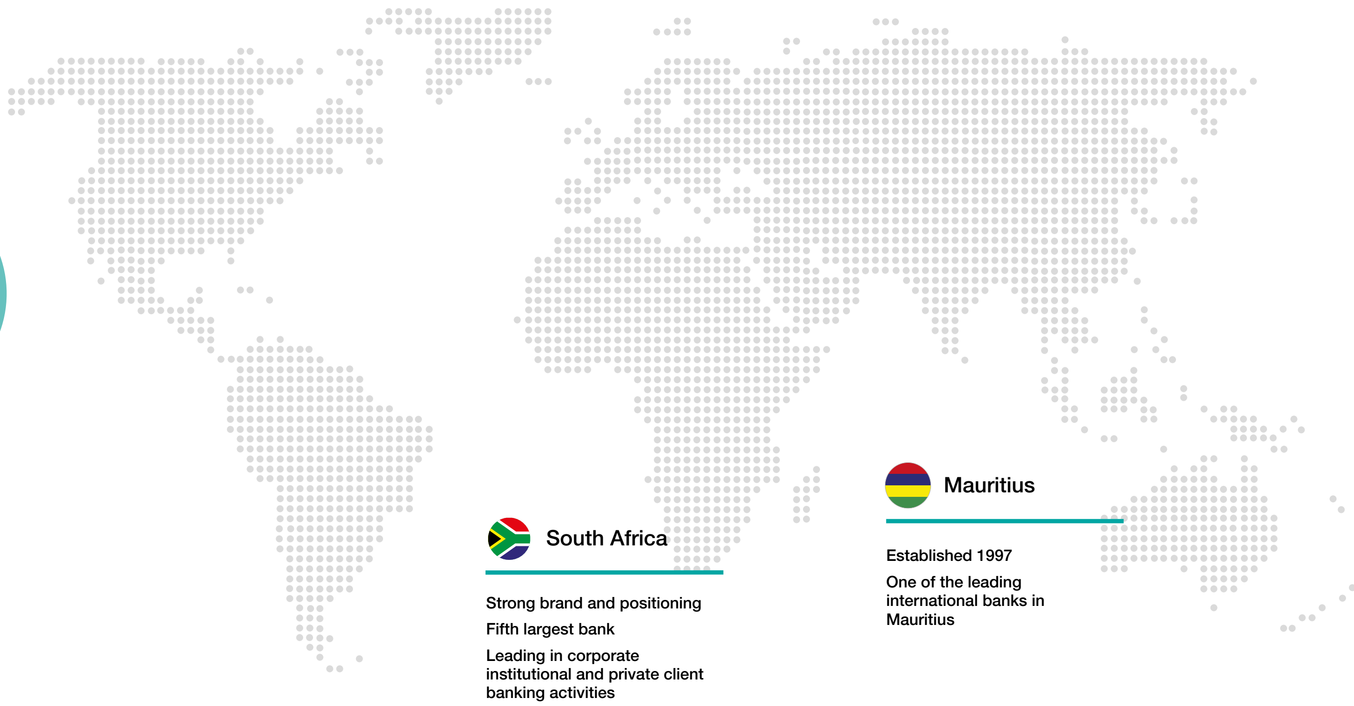
Further information on the Specialist Banking management structure is available on our website.

The specialist teams are well positioned to provide services for both personal and business needs right across Private Banking, Corporate and Institutional Banking and Corporate Advisory and Investment.

Our value proposition

- High quality specialist banking solution to corporate, institutional, government and private clients with leading positions in selected areas
- Provide high touch personalised service
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Balanced business model with good business depth and breadth
- Total corporate and other clients: *c.*6 300
- Total high income and high net worth clients: *c.*87 700.

Where we operate



Commentary on results and salient information

Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 9.9% to R1 807 million (2014: R1 644 million).

The balance sheet remains strong with a capital adequacy ratio of 14.5% (31 March 2015: 15.4%).

Salient features	Six months to 30 Sept 2015	Six months to 30 Sept 2014	% change	Year to 31 March 2015
Total operating income before impairment losses on loans and advances (R'million)	5 199	4 350	19.5%	8 946
Operating costs (R'million)	2 811	2 195	28.1%	4 818
Profit before taxation (R'million)	2 088	1 936	7.9%	3 673
Headline earnings attributable to ordinary shareholders (R'million)	1 807	1 644	9.9%	3 014
Cost to income ratio	54.1%	50.5%		53.9%
Total capital resources (including subordinated liabilities) (R'million)	41 023	38 231	7.3%	39 348
Total shareholders' equity (R'million)	30 615	27 586	11.0%	28 899
Total assets (R'million)	365 637	313 675	16.6%	332 706
Net core loans and advances (R'million)	195 842	165 362	18.4%	177 528
Customer accounts (deposits) (R'million)	250 099	217 550	15.0%	221 377
Cash and near cash balances (R'million)	100 042	82 252	21.6%	88 691
Capital adequacy ratio	14.5%	15.6%		15.4%
Tier 1 ratio	10.8%	11.2%		11.4%
Common equity tier 1 ratio	10.4%	10.7%		11.0%
Leverage ratio	7.9%	8.4%		8.3%
Defaults (net of impairments) as a % of net core loans and advances	1.13%	1.30%		1.46%
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.28%	0.30%		0.29%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.9x	11.3x		11.4x
Loans and advances to customers: customer accounts (deposits)	75.4%	74.6%		78.1%

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2014.

Salient operational features for the six months under review include:

Total operating income before impairment losses on loans and advances increased by 19.5% to R5 199 million (2014: R4 350 million). The components of operating income are analysed further below:

- Net interest income increased 10.9% to R3 061 million (2014: R2 759 million) with the bank benefiting from a solid increase in its loan portfolio
- Net fee and commission income increased 27.4% to R879 million (2014: R690 million) as a result of a good performance from the private banking professional finance business and the corporate lending and treasury businesses. In addition, the acquisition of the Blue Strata group (refer below) had a positive impact on net fee and commission income
- Investment income increased 42.5% to R1 002 million (2014: R703 million) with the bank's unlisted investments portfolio continuing to perform well
- Trading income arising from customer flow and other trading activities increased 34.3% to R266 million (2014: R198 million), largely reflecting increased activity levels and foreign currency gains.

Impairments on loans and advances increased from R219 million to R287 million. The credit loss charge as a percentage of average gross core loans and advances has remained in line with 31 March 2015 at 0.28%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 1.13% (31 March 2015: 1.46%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.68 times (31 March 2015: 1.44 times).

The ratio of total operating costs to total operating income amounts to 54.1% (2014: 50.5%). Total operating expenses at R2 811 million were 28.1% higher than the prior period (2014: R2 195 million) largely as a result of: an increase in headcount and system infrastructure costs to support growth initiatives; the acquisition of the Blue Strata group; and an increase in variable remuneration given improved profitability.

As a result of the foregoing factors, profit before taxation and acquired intangibles increased by 8.5% to R2 101 million (2014: R1 936 million).

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Financial results

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, comprising the consolidated balance sheet at 30 September 2015, and the related consolidated income statement, the condensed consolidated statement of total comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the period then ended, and selected notes to the condensed consolidated interim financial statements, in accordance with International Financial Reporting Standards applicable to interim financial reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and in the manner required by the Companies Act, 71 of 2008.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 18 November 2015 and are signed on its behalf by

Fani Titi	Stephen Koseff
Chairman	Chief executive officer

Financial results

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Independent auditors' review report on the condensed consolidated interim financial results

To the shareholders of Investec Bank Limited

We have reviewed the condensed consolidated interim financial statements of Investec Bank Limited contained in the accompanying interim report, which comprise the consolidated balance sheet at 30 September 2015, the consolidated income statement, consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months then ended, and selected explanatory notes, as set out on pages 11 to 20.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. The standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform 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 and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Investec Bank Limited for the six months ended 30 September 2015 are not prepared, in all material respects, in accordance with International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

KPMG INC.

KPMG Inc
Registered Auditor

Per Peter MacDonald
Chartered Accountant (SA)
Registered Auditor
Director

18 November 2015

KPMG Inc
KPMG Crescent
85 Empire Road,
Parktown
2193

Ernst + Young Inc.

Ernst & Young Inc.
Registered Auditor

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

18 November 2015

Ernst & Young Inc.
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Consolidated income statement

R'million	Reviewed Six months to 30 Sept 2015	Reviewed Six months to 30 Sept 2014	Audited Year to 31 March 2015
Interest income	10 908	9 536	19 587
Interest expense	(7 847)	(6 777)	(14 066)
Net interest income	3 061	2 759	5 521
Fee and commission income	950	791	1 661
Fee and commission expense	(71)	(101)	(207)
Investment income	1 002	703	1 420
Trading income arising from			
– customer flow	166	91	290
– balance sheet management and other trading activities	100	107	260
Other operating (loss)/income	(9)	–	1
Total operating income before impairment losses on loans and advances	5 199	4 350	8 946
Impairment losses on loans and advances	(287)	(219)	(455)
Operating income	4 912	4 131	8 491
Operating costs	(2 811)	(2 195)	(4 818)
Operating profit before acquired intangibles	2 101	1 936	3 673
Amortisation of acquired intangibles	(13)	–	–
Profit before taxation	2 088	1 936	3 673
Taxation on operating profit before acquired intangibles	(307)	(242)	(545)
Taxation on acquired intangibles	4	–	–
Profit after taxation	1 785	1 694	3 128

Consolidated statement of comprehensive income

R'million	Reviewed Six months to 30 Sept 2015	Reviewed Six months to 30 Sept 2014	Audited Year to 31 March 2015
Profit after taxation	1 785	1 694	3 128
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(343)	(103)	(619)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	(348)	173	322
(Gain)/loss on realisation of available-for-sale assets recycled through the income statement*	(13)	6	–
Foreign currency adjustments on translating foreign operations	694	291	602
Total comprehensive income	1 775	2 061	3 433
Total comprehensive income attributable to ordinary shareholders	1 716	2 005	3 319
Total comprehensive income attributable to perpetual preference shareholders	59	56	114
Total comprehensive income	1 775	2 061	3 433

* *Net of taxation of (R312.2 million) [six months to 30 September 2014: (R7.9 million); year to 31 March 2015: (R101.0 million)].*

Consolidated balance sheet

At R'million	Reviewed 30 Sept 2015	Audited 31 March 2015	Reviewed 30 Sept 2014
Assets			
Cash and balances at central banks	6 698	6 261	5 946
Loans and advances to banks	24 913	33 422	27 944
Non-sovereign and non-bank cash placements	11 435	10 540	10 403
Reverse repurchase agreements and cash collateral on securities borrowed	23 267	10 095	6 764
Sovereign debt securities	34 850	31 378	32 929
Bank debt securities	15 829	17 332	22 585
Other debt securities	14 024	12 749	11 836
Derivative financial instruments	14 491	15 178	12 917
Securities arising from trading activities	3 354	1 289	2 100
Investment portfolio	10 625	9 972	8 969
Loans and advances to customers	188 532	172 993	162 307
Own originated loans and advances to customers securitised	7 310	4 535	3 055
Other loans and advances	403	472	508
Other securitised assets	503	618	804
Interest in associated undertakings	53	60	56
Deferred taxation assets	98	88	84
Other assets	4 879	1 262	1 118
Property and equipment	236	192	201
Investment properties	1	80	85
Goodwill	172	–	–
Intangible assets	557	190	102
Loans to group companies	2 806	3 268	2 231
Non-current assets classified as held for sale	601	732	731
	365 637	332 706	313 675
Liabilities			
Deposits by banks	32 539	29 792	23 644
Derivative financial instruments	13 088	12 401	9 534
Other trading liabilities	1 949	1 623	1 714
Repurchase agreements and cash collateral on securities lent	14 368	16 556	12 511
Customer accounts (deposits)	250 099	221 377	217 550
Debt securities in issue	6 452	5 517	5 401
Liabilities arising on securitisation of own originated loans and advances	957	1 089	970
Liabilities arising on securitisation of other assets	–	–	154
Current taxation liabilities	746	1 186	1 093
Deferred taxation liabilities	221	76	141
Other liabilities	4 195	3 741	2 732
	324 614	293 358	275 444
Subordinated liabilities	10 408	10 449	10 645
	335 022	303 807	286 089
Equity			
Ordinary share capital	32	32	32
Share premium	14 885	14 885	14 885
Other reserves	848	764	802
Retained income	14 850	13 218	11 867
Total equity	30 615	28 899	27 586
Total liabilities and equity	365 637	332 706	313 675

Condensed consolidated statement of changes in equity

R'million	Reviewed Six months to 30 Sept 2015	Reviewed Six months to 30 Sept 2014	Audited Year to 31 March 2015
Balance at the beginning of the period	**28 899**	**25 601**	**25 601**
Total comprehensive income	1 775	2 061	3 433
Dividends paid to ordinary shareholders	–	(20)	(21)
Dividends paid to perpetual preference shareholders	(59)	(56)	(114)
Balance at the end of the period	**30 615**	27 586	**28 899**

Condensed consolidated cash flow statement

R'million	Reviewed Six months to 30 Sept 2015	Reviewed Six months to 30 Sept 2014	Audited Year to 31 March 2015
Net cash inflow from operating activities	32	3 118	3 467
Net cash outflow from investing activities	(418)	(49)	(198)
Net cash (outflow)/inflow from financing activities	(100)	72	(385)
Effects of exchange rate changes on cash and cash equivalents	482	231	439
Net (decrease)/increase in cash and cash equivalents	**(4)**	**3 372**	**3 323**
Cash and cash equivalents at the beginning of the period	23 783	20 460	20 460
Cash and cash equivalents at the end of the period	**23 779**	**23 832**	**23 783**

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

Notes to the interim financial statements

Accounting policies and disclosures

These interim condensed consolidated financial results have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34, *Interim Financial Reporting*, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Companies Act, 71 of 2008.

The accounting policies applied in the preparation of the results for the six months ended 30 September 2015 are consistent with those adopted in the financial statements for the year ended 31 March 2015.

The financial results have been prepared under the supervision of Glynn Burger, the group risk and finance director.

Calculation of headline earnings

R'million	Reviewed Six months to 30 Sept 2015	Reviewed Six months to 30 Sept 2014	Audited Year to 31 March 2015
Profit after taxation	1 785	1 694	3 128
Preference dividends paid	(59)	(56)	(114)
Earnings attributable to ordinary shareholders	1 726	1 638	3 014
Headline adjustments, net of taxation	81	6	–
(Gain)/loss on realisation of available-for-sale assets recycled through the income statement^	(13)	6	–
Write down of non-current assets classified as held for sale	94	–	–
Headline earnings attributable to ordinary shareholders	1 807	1 644	3 014

^ *Net of taxation of (R31.5 million) [six months to 30 September 2014: (R2.5 million); year to 31 March 2015: Rnil].*

Additional income statement note disclosures

Net interest income

For the six months to 30 September R'million	Notes	2015 Balance sheet value	2015 Interest income	2014 Balance sheet value	2014 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	116 992	2 714	106 571	2 382
Core loans and advances	2	195 842	7 861	165 362	6 753
Private client		128 648	5 063	110 533	4 338
Corporate, institutional and other clients		67 194	2 798	54 829	2 415
Other debt securities and other loans and advances		14 427	207	12 344	215
Other interest-earning assets	3	3 309	126	3 035	186
Total interest-earning assets		330 570	10 908	287 312	9 536

For the six months to 30 September R'million	Notes	2015 Balance sheet value	2015 Interest expense	2014 Balance sheet value	2014 Interest expense
Deposits by banks and other debt related securities	4	53 359	(657)	41 556	(536)
Customer accounts (deposits)		250 099	(6 789)	217 550	(5 833)
Other interest-bearing liabilities	5	957	–	1 124	(22)
Subordinated liabilities		10 408	(401)	10 645	(386)
Total interest-bearing liabilities		314 823	(7 847)	270 875	(6 777)
Net interest income			3 061		2 759

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets; and loans to group companies.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated loans and advances; and liabilities arising on securitisation of other assets.*

Additional income statement note disclosures (continued)

Net fee and commission income

For the six months to 30 September R'million	2015	2014
Corporate and institutional transactional and advisory services	619	511
Private client transactional fees	331	280
Fee and commission income	950	791
Fee and commission expense	(71)	(101)
Net fee and commission income	879	690
Annuity fees (net of fees payable)	518	370
Deal fees	361	320

Investment income

For the six months to 30 September R'million	Investment portfolio* (listed and unlisted equities)	Other debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2015					
Realised	422	63	60	14	559
Unrealised	414	–	(60)	1	355
Dividend income	245	–	–	–	245
Funding and net other related costs	(157)	–	–	–	(157)
	924	63	–	15	1 002
2014					
Realised	(37)	65	–	14	42
Unrealised	621	(3)	–	5	623
Dividend income	161	–	–	–	161
Funding and net other related costs	(122)	–	–	(1)	(123)
	623	62	–	18	703

* *Including embedded derivatives (warrants and profit shares).*

Additional IAS 34 disclosures

Analysis of assets and liabilities by measurement basis

At 30 September 2015 R'million	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	6 698	–	6 698
Loans and advances to banks	–	24 913	–	24 913
Non-sovereign and non-bank cash placements	3	11 432	–	11 435
Reverse repurchase agreements and cash collateral on securities borrowed	16 354	6 913	–	23 267
Sovereign debt securities	31 183	3 667	–	34 850
Bank debt securities	7 056	8 773	–	15 829
Other debt securities	8 961	5 063	–	14 024
Derivative financial instruments	14 491	–	–	14 491
Securities arising from trading activities	3 354	–	–	3 354
Investment portfolio	10 625	–	–	10 625
Loans and advances to customers	11 583	176 949	–	188 532
Own originated loans and advances to customers securitised	–	7 310	–	7 310
Other loans and advances	–	403	–	403
Other securitised assets	–	503	–	503
Interests in associated undertakings	–	–	53	53
Deferred taxation assets	–	–	98	98
Other assets	324	1 699	2 856	4 879
Property and equipment	–	–	236	236
Investment properties	–	–	1	1
Goodwill	–	–	172	172
Intangible assets	–	–	557	557
Loans to group companies	–	2 806	–	2 806
Non-current assets classified as held for sale	–	–	601	601
	103 934	257 129	4 574	365 637
Liabilities				
Deposits by banks	–	32 539	–	32 539
Derivative financial instruments	13 088	–	–	13 088
Other trading liabilities	1 949	–	–	1 949
Repurchase agreements and cash collateral on securities lent	2 613	11 755	–	14 368
Customer accounts (deposits)	15 641	234 458	–	250 099
Debt securities in issue	3 859	2 593	–	6 452
Liabilities arising on securitisation of own originated loans and advances	–	957	–	957
Current taxation liabilities	–	–	746	746
Deferred taxation liabilities	–	–	221	221
Other liabilities	759	391	3 045	4 195
Subordinated liabilities	–	10 408	–	10 408
	37 909	293 101	4 012	335 022

Financial assets and liabilities carried at fair value

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 September 2015 R'million	Financial instruments at fair value	Fair value category Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	3	–	3	–
Reverse repurchase agreements and cash collateral on securities borrowed	16 354	–	16 354	–
Sovereign debt securities	31 183	31 183	–	–
Bank debt securities	7 056	4 933	2 123	–
Other debt securities	8 961	8 961	–	–
Derivative financial instruments	14 491	–	14 752	(261)
Securities arising from trading activities	3 354	2 942	412	–
Investment portfolio	10 625	2 098	901	7 626
Loans and advances to customers	11 583	–	11 583	–
Other assets	324	–	324	–
	103 934	50 117	46 452	7 365
Liabilities				
Derivative financial instruments	13 088	–	13 088	–
Other trading liabilities	1 949	740	1 209	–
Repurchase agreements and cash collateral on securities lent	2 613	–	2 613	–
Customer accounts (deposits)	15 641	–	15 641	–
Debt securities in issue	3 859	–	3 859	–
Other liabilities	759	–	759	–
	37 909	740	37 169	–
Net assets	66 025	49 377	9 283	7 365

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 in the current period.

The following table is a reconciliation of the opening balances to the closing balances for financial instruments in level 3 of the fair value category. All instruments are at fair value through profit and loss.

R'million	
Balance at 1 April 2015	6 509
Total gains or losses recognised in the current period	797
Purchases	574
Sales	(444)
Issues	(40)
Settlements	(80)
Transfers into level 3	90
Transfers out of level 3	(44)
Foreign exchange adjustments	3
Balance at 30 September 2015	7 365

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

The following table quantifies the gains included in the income statement recognised on level 3 financial instruments:

For the six months to 30 September 2015 R'million	Total	Realised	Unrealised
Total gains or losses included in the income statement for the period			
Investment income	698	125	573
Trading income arising from customer flow	53	–	53
Trading income arising from sheet management and other trading activities	46	–	46
	797	125	672

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2015 R'million	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement Favourable changes	Reflected in the income statement Unfavourable changes
Assets						
Derivative financial instruments	(261)				140	(55)
		Black-Scholes	Volatilities	(25%)/40%	48	(29)
		Discounted cash flows	Credit spreads	(50bps)/50bps	11	(9)
		Price earnings	Change in PE multiple	*	41	–
		Other	Various	**	40	(17)
Investment portfolio	7 626				850	(1 154)
		Price earnings	Change in PE multiple	*	680	(919)
		Other	Various	**	170	(235)
Total	7 365				990	(1 209)

* *The price-earnings multiple has been stressed on an investment by investment basis in order to obtain aggressive and conservative valuations.*

** *These valuation sensitivities have been stressed individually using varying scenario based techniques to obtain the aggressive and conservative valuations.*

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of a counterparty. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial asset.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative exposure. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Price-earnings multiple

The price-to-earnings ratio is an equity valuation multiple. It is a key driver in the valuation of unlisted investments.

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	Valuation basis/techniques	Main inputs
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Discount rates
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model Black-Scholes	Discount rates Volatilities
Bank debt securities	Discounted cash flow model	Swap curves and NCD curves
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Discounted cash flow model	Discount rates
Investment portfolio	Comparable quoted inputs	Net assets
Loans and advances to customers	Discounted cash flow model	Swap curves and discount rates
Other assets	Discounted cash flow model	Discount rates
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Discount rates
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Discount rates
Customer accounts (deposits)	Discounted cash flow model	Swap curves
Debt securities in issue	Discounted cash flow model	Swap curves
Other liabilities	Discounted cash flow model	Discount rates

Fair value of financial assets and liabilities measured at amortised cost

At 30 September 2015 R'million	Carrying value	Fair value
Assets		
Cash and balances at central banks	6 698	6 698
Loans and advances to banks	24 913	24 913
Non-sovereign and non-bank cash placements	11 432	11 432
Reverse repurchase agreements and cash collateral on securities borrowed	6 913	6 913
Sovereign debt securities	3 667	3 738
Bank debt securities	8 773	9 030
Other debt securities	5 063	5 046
Loans and advances to customers	176 949	177 249
Own originated loans and advances to customers securitised	7 310	7 310
Other loans and advances	403	403
Other securitised assets	503	503
Other assets	1 699	1 699
Loans to group companies	2 806	2 806
	257 129	257 740
Liabilities		
Deposits by banks	32 539	31 195
Repurchase agreements and cash collateral on securities lent	11 755	11 700
Customer accounts (deposits)	234 458	234 162
Debt securities in issue	2 593	2 591
Liabilities arising on securitisation of own originated loans and advances	957	957
Other liabilities	391	391
Subordinated liabilities	10 408	10 408
	293 101	291 404

Acquisition of Blue Strata

R'million	Fair value of assets and liabilities
On 1 July 2015, Investec Bank Limited concluded transaction agreements with the management and shareholders of Blue Strata for the acquisition of the remaining 51.5% of the Blue Strata group, not already owned by it. Investec and Blue Strata have had a fruitful partnership over the past 13 years since Blue Strata's founding in 2002.	
As import regulations and complexities increase, Blue Strata offers a compelling value proposition to clients by simplifying the import process, and Investec foresees exciting benefits unfolding in offering Blue Strata's services to more of Investec's existing client base. The full integration of the business into the group offers the opportunity to unlock substantial benefits and will allow Blue Strata to accelerate its growth.	
The assets and liabilities at the date of acquisition, goodwill arising and total consideration paid are shown below:	
Loans and advances to banks	70
Investment portfolio	43
Deferred taxation assets	6
Other assets	1 436
Property and equipment	25
Intangible assets	412
Assets	1 992
Deferred taxation liabilities	121
Other liabilities	256
Liabilities	377
Net fair value of assets acquired	1 615
Fair value of existing 48.5% equity interest held in Blue Strata	370
Cash consideration	367
Loan eliminated on consolidation	1 050
Fair value of consideration	1 787
Goodwill	172
For the post acquisition period 1 July 2015 to 30 September 2015, the operating income of the Blue Strata group was R61.9 million and the profit before taxation totalled R28.1 million.	

Financial results

2

3

Risk management and capital information (unaudited)

As per Basel requirements, the following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2015.

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. We seek to achieve an appropriate balance between risk and reward, taking cognisance of all stakeholders' interests. A strong risk and capital management culture is embedded into our values.

Group Risk Management monitors, manages and reports on our risks to ensure that they are within the stated risk appetite mandated by the board of directors through the board risk and capital committee.

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 that we have in place are adequate to support our strategy and allow us to operate within our risk appetite tolerance.

Credit and counterparty risk management

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

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

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to it. 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.

Credit and counterparty risk can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer risk and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

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.

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 9.0% to R408.6 billion largely as a result of the increase in core loans and advances and cash and near cash balances. Cash and near cash balances increased by 12.8% to R100.0 billion and are largely reflected in the following items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, and sovereign debt securities.

R'million	30 Sept 2015	31 March 2015	% change	Average*
Cash and balances at central banks	6 698	6 261	7.0%	6 479
Loans and advances to banks	24 913	33 422	(25.5%)	29 167
Non-sovereign and non-bank cash placements	11 435	10 540	8.5%	10 987
Reverse repurchase agreements and cash collateral on securities borrowed	23 267	10 095	>100%	16 681
Sovereign debt securities	34 850	31 378	11.1%	33 114
Bank debt securities	15 829	17 332	(8.7%)	16 580
Other debt securities	14 024	12 749	10.0%	13 387
Derivative financial instruments	14 203	14 879	(4.5%)	14 541
Securities arising from trading activities	1 536	1 018	50.9%	1 277
Loans and advances to customers (gross)	189 856	174 132	9.0%	181 994
Own originated loans and advances to customers securitised (gross)	7 316	4 537	61.3%	5 927
Other loans and advances (gross)	445	490	(9.2%)	468
Other assets	1 478	13	>100%	746
Total on-balance sheet exposures	**345 850**	**316 846**	**9.2%**	**331 348**
Guarantees^	16 157	14 551	11.0%	15 354
Contingent liabilities, committed facilities and other	46 564	43 480	7.1%	45 022
Total off-balance sheet exposures	**62 721**	**58 031**	**8.1%**	**60 376**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**408 571**	**374 877**	**9.0%**	**391 724**

* *Where the average is based on a straight-line average for period 1 April 2015 to 30 September 2015.*

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

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

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

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 30 September 2015				
Cash and balances at central banks	6 698	–		6 698
Loans and advances to banks	24 913	–		24 913
Non-sovereign and non-bank cash placements	11 435	–		11 435
Reverse repurchase agreements and cash collateral on securities borrowed	23 267	–		23 267
Sovereign debt securities	34 850	–		34 850
Bank debt securities	15 829	–		15 829
Other debt securities	14 024	–		14 024
Derivative financial instruments	14 203	288	1	14 491
Securities arising from trading activities	1 536	1 818		3 354
Investment portfolio	–	10 625	1	10 625
Loans and advances to customers	189 856	(1 324)	2	188 532
Own originated loans and advances to customers securitised	7 316	(6)	2	7 310
Other loans and advances	445	(42)	2	403
Other securitised assets	–	503	3	503
Interest in associated undertakings	–	53		53
Deferred taxation assets	–	98		98
Other assets	1 478	3 401	4	4 879
Property and equipment	–	236		236
Investment properties	–	1		1
Goodwill	–	172		172
Intangible assets	–	557		557
Loans to group companies	–	2 806		2 806
Non-current assets classified as held for sale	–	601		601
Total on-balance sheet exposures	345 850	19 787		365 637

1. *Largely relates to exposures that are classified as equity risk in the banking book.*
2. *Largely relates to impairments.*
3. *Largely relates to 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)

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2015				
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	1	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 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 relates to cash in the securitised vehicles.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity at 30 September 2015

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	6 698	–	–	–	–	–	6 698
Loans and advances to banks	23 378	69	–	1 418	48	–	24 913
Non-sovereign and non-bank cash placements	11 435	–	–	–	–	–	11 435
Reverse repurchase agreements and cash collateral on securities borrowed	17 971	7	1 016	3 473	800	–	23 267
Sovereign debt securities	5 748	8 806	4 647	4 905	6 886	3 858	34 850
Bank debt securities	1 823	798	4 601	6 646	1 757	204	15 829
Other debt securities	1 336	337	–	5 915	6 280	156	14 024
Derivative financial instruments	1 306	1 568	1 768	6 229	3 096	236	14 203
Securities arising from trading activities	654	–	71	163	46	602	1 536
Loans and advances to customers (gross)	15 027	6 308	14 156	93 116	21 497	39 752	189 856
Own originated loans and advances to customers securitised (gross)	5	–	–	14	151	7 146	7 316
Other loans and advances (gross)	6	–	–	439	–	–	445
Other assets	1 478	–	–	–	–	–	1 478
Total on-balance sheet exposures	86 865	17 893	26 259	122 318	40 561	51 954	345 850
Guarantees^	6 560	169	608	6 244	2 350	226	16 157
Contingent liabilities, committed facilities and other	11 397	1 322	3 004	14 167	2 296	14 378	46 564
Total off-balance sheet exposures	17 957	1 491	3 612	20 411	4 646	14 604	62 721
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	104 822	19 384	29 871	142 729	45 207	66 558	408 571

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

Private client loans account for 65.6% of total gross core loans and advances, as represented by the industry classification 'HNW and professional individuals' and 'lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

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, largely to our high net worth and professional individual clients.

An analysis of gross credit and counterparty exposures by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million	30 Sept 2015	31 March 2015	30 Sept 2015	31 March 2015	30 Sept 2015	31 March 2015
HNW and professional individuals	88 924	79 003	30 359	30 068	119 283	109 071
Lending collateralised by property – largely to private clients	40 433	38 031	5 961	6 889	46 394	44 920
Agriculture	1 831	869	571	474	2 402	1 343
Electricity, gas and water (utility services)	4 762	4 794	2 778	5 250	7 540	10 044
Public and non-business services	5 928	1 004	46 923	39 455	52 851	40 459
Business services	8 511	6 777	3 127	1 723	11 638	8 500
Finance and insurance	9 054	8 602	93 963	88 271	103 017	96 873
Retailers and wholesalers	2 400	2 140	4 092	3 060	6 492	5 200
Manufacturing and commerce	9 765	9 505	6 398	5 029	16 163	14 534
Construction	2 513	2 749	961	522	3 474	3 271
Corporate commercial real estate	6 009	6 441	902	975	6 911	7 416
Other residential mortgages	–	–	445	490	445	490
Mining and resources	5 476	4 010	8 155	6 489	13 631	10 499
Leisure, entertainment and tourism	1 933	1 605	40	80	1 973	1 685
Transport	4 617	7 088	2 088	3 949	6 705	11 037
Communication	5 016	6 051	4 636	3 484	9 652	9 535
Total	197 172	178 669	211 399	196 208	408 571	374 877

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
At 30 September 2015						
Cash and balances at central banks	–	–	–	–	6 698	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	–	–	276	490
Reverse repurchase agreements and cash collateral on securities borrowed	631	–	–	–	–	1 670
Sovereign debt securities	–	–	–	–	34 850	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	2 685	–
Derivative financial instruments	88	–	9	201	–	153
Securities arising from trading activities	–	–	–	59	329	–
Loans and advances to customers (gross)	81 608	40 433	1 831	4 762	5 928	8 511
Own originated loans and advances to customers securitised (gross)	7 316	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total on-balance sheet exposures	89 643	40 433	1 840	5 022	50 766	10 824
Guarantees^	3 562	976	–	663	1 798	24
Contingent liabilities, committed facilities and other	26 078	4 985	562	1 855	287	790
Total off-balance sheet exposures	29 640	5 961	562	2 518	2 085	814
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	119 283	46 394	2 402	7 540	52 851	11 638
At 31 March 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 wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	–	6 698
24 913	–	–	–	–	–	–	–	–	–	24 913
4 028	1 468	2 893	623	–	–	1 027	–	387	243	11 435
20 168	–	770	–	–	–	–	–	28	–	23 267
–	–	–	–	–	–	–	–	–	–	34 850
15 829	–	–	–	–	–	–	–	–	–	15 829
5 550	–	402	–	–	–	2 498	–	–	2 889	14 024
12 322	91	556	–	478	–	252	1	27	25	14 203
922	30	47	–	–	–	–	–	135	14	1 536
9 054	2 400	9 765	2 513	6 009	–	5 476	1 933	4 617	5 016	189 856
–	–	–	–	–	–	–	–	–	–	7 316
–	–	–	–	–	445	–	–	–	–	445
68	1 073	134	22	–	–	–	22	–	159	1 478
92 854	5 062	14 567	3 158	6 487	445	9 253	1 956	5 194	8 346	345 850
6 157	362	685	–	–	–	1 756	–	12	162	16 157
4 006	1 068	911	316	424	–	2 622	17	1 499	1 144	46 564
10 163	1 430	1 596	316	424	–	4 378	17	1 511	1 306	62 721
103 017	6 492	16 163	3 474	6 911	445	13 631	1 973	6 705	9 652	408 571
–	–	–	–	–	–	–	–	–	–	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

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

R'million	30 Sept 2015	31 March 2015
Loans and advances to customers as per the balance sheet	188 532	172 993
Add: own originated loans and advances to customers securitised as per the balance sheet	7 310	4 535
Net core loans and advances to customers	195 842	177 528

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

R'million	30 Sept 2015	31 March 2015
Gross core loans and advances to customers	197 172	178 669
Total impairments	(1 330)	(1 141)
Specific impairments	(1 112)	(971)
Portfolio impairments	(218)	(170)
Net core loans and advances to customers	195 842	177 528
Average gross core loans and advances to customers	187 921	165 652
Current loans and advances to customers	192 526	173 775
Past due loans and advances to customers (1 – 60 days)	868	505
Special mention loans and advances to customers	237	660
Default loans and advances to customers	3 541	3 729
Gross core loans and advances to customers	197 172	178 669
Current loans and advances to customers	192 526	173 775
Default loans that are current and not impaired	148	787
Gross core loans and advances to customers that are past due but not impaired	2 144	1 720
Gross core loans and advances to customers that are impaired	2 354	2 387
Gross core loans and advances to customers	197 172	178 669
Total income statement charge for impairments on core loans and advances	(263)	(482)
Gross default loans and advances to customers	3 541	3 729
Specific impairments	(1 112)	(971)
Portfolio impairments	(218)	(170)
Defaults net of impairments	2 211	2 588
Aggregate collateral and other credit enhancements on defaults	3 706	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	0.67%	0.64%
Total impairments as a % of gross default loans	37.56%	30.60%
Gross defaults as a % of gross core loans and advances to customers	1.80%	2.09%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.13%	1.46%
Net defaults as a % of net core loans and advances to customers	–	–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.28%	0.29%

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

R'million	30 Sept 2015	31 March 2015
Default loans that are current	1 138	1 533
1 – 60 days	1 104	1 448
61 – 90 days	134	144
91 – 180 days	679	253
181 – 365 days	473	194
>365 days	1 118	1 322
Past due and default core loans and advances to customers (actual capital exposure)	4 646	4 894
1 – 60 days	208	543
61 – 90 days	4	36
91 – 180 days	425	130
181 – 365 days	293	147
>365 days	806	962
Past due and default core loans and advances to customers (actual amount in arrears)	1 736	1 818

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

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
At 30 September 2015							
Default loans that are current and not impaired							
Total capital exposure	148	–	–	–	–	–	148
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 019	61	577	251	236	2 144
Amount in arrears	–	197	3	400	159	141	900
Gross core loans and advances to customers that are impaired							
Total capital exposure	990	85	73	102	222	882	2 354
Amount in arrears	–	11	1	25	134	665	836
At 31 March 2015							
Default loans that are current and not 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 30 September 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)	–	868	–	–	–	–	868
Special mention	–	124	55	25	9	24	237
Special mention (1 – 90 days)	–	124	3	25*	9*	24*	185
Special mention (61 – 90 days and item well secured)	–	–	52	–	–	–	52
Default	1 138	112	79	654	464	1 094	3 541
Sub-standard	148	29	6	553	243	212	1 191
Doubtful	990	83	73	101	221	882	2 350
Total	1 138	1 104	134	679	473	1 118	4 646

An age analysis of past due and default core loans and advances to customers at 30 September 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)	–	193	–	–	–	–	193
Special mention	–	2	2	1	1	7	13
Special mention (1 – 90 days)	–	2	–	1*	1*	7*	11
Special mention (61 – 90 days and item well secured)	–	–	2	–	–	–	2
Default	–	13	2	424	292	799	1 530
Sub-standard	–	1	1	399	158	135	694
Doubtful	–	12	1	25	134	664	836
Total	–	208	4	425	293	806	1 736

* *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

R'million	Gross core loans and advances neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 30 September 2015								
Current core loans and advances	192 526	–	–	192 526	–	(215)	192 311	–
Past due (1 – 60 days)	–	868	–	868	–	(3)	865	193
Special mention	–	237	–	237	–	–	237	13
Special mention (1 – 90 days)	–	185	–	185	–	–	185	11
Special mention (61 – 90 days and item well secured)	–	52	–	52	–	–	52	2
Default	148	1 039	2 354	3 541	(1 112)	–	2 429	1 530
Sub-standard	148	1 039	4	1 191	–	–	1 191	694
Doubtful	–	–	2 350	2 350	(1 112)	–	1 238	836
Total	192 674	2 144	2 354	197 172	(1 112)	(218)	195 842	1 736
At 31 March 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

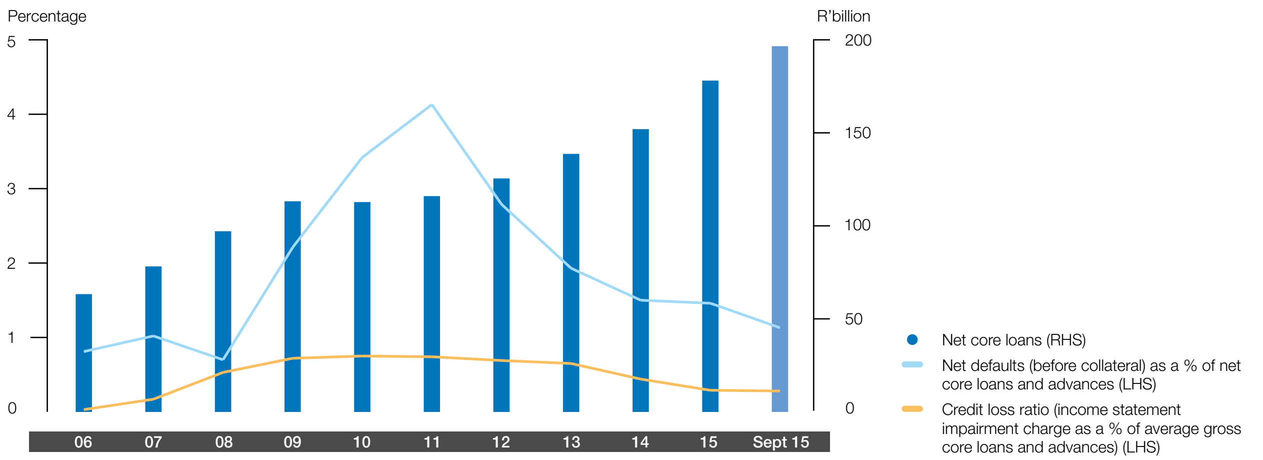
R'million	Private client, professional and HNW individuals	Corporate sector	Banking, insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2015						
Current core loans and advances	126 024	47 288	8 933	5 861	4 420	192 526
Past due (1 – 60 days)	626	83	–	–	159	868
Special mention	191	46	–	–	–	237
Special mention (1 – 90 days)	139	46	–	–	–	185
Special mention (61 – 90 days and item well secured)	52	–	–	–	–	52
Default	2 516	685	121	67	152	3 541
Sub-standard	1 067	64	56	–	4	1 191
Doubtful	1 449	621	65	67	148	2 350
Total gross core loans and advances to customers	129 357	48 102	9 054	5 928	4 731	197 172
Total impairments	(709)	(491)	(6)	–	(124)	(1 330)
Specific impairments	(541)	(444)	(3)	–	(124)	(1 112)
Portfolio impairments	(168)	(47)	(3)	–	–	(218)
Net core loans and advances to customers	128 648	47 611	9 048	5 928	4 607	195 842
At 31 March 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 30 September 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	40 433	1 258	1 266	(447)	31
Commercial real estate	37 427	616	744	(249)	1
Commercial real estate – investment	32 725	227	373	(94)	4
Commercial real estate – development	3 289	88	83	(26)	(19)
Commercial vacant land and planning	1 413	301	288	(129)	16
Residential real estate	3 006	642	522	(198)	30
Residential real estate – development	1 485	437	372	(117)	(65)
Residential vacant land and planning	1 521	205	150	(81)	95
High net worth and other private client lending	88 924	1 258	1 831	(261)	(118)
Mortgages	49 924	458	728	(64)	(15)
High net worth and specialised lending	39 000	800	1 103	(198)	(103)
Corporate other lending	67 815	1 025	609	(622)	(176)
Acquisition finance	15 493	503	396	(172)	(97)
Asset-based lending	4 741	152	103	(124)	(20)
Other corporate and financial institutions and governments	36 473	234	110	(163)	(56)
Asset finance	4 632	–	–	(26)	10
Small ticket asset finance	1 229	–	–	–	–
Large ticket asset finance	3 403	–	–	(26)	10
Project finance	5 922	–	–	-	123
Resource finance	554	136	–	(136)	(136)
Total	197 172	3 541	3 706	(1 330)	(263)

^ *Where a positive number represents a recovery.*

Asset quality trends



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 real estate – 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.*

Collateral

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

R'million	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 30 September 2015			
Eligible financial collateral	33 004	21 465	54 469
Listed shares	28 927	9 176	38 103
Cash	2 557	2 951	5 508
Debt securities issued by sovereigns	1 520	9 338	10 858
Property charge	244 921	753	245 674
Residential property	120 442	645	121 087
Commercial property developments	8 265	108	8 373
Commercial property investments	116 214	–	116 214
Other collateral	49 320	1 352	50 672
Unlisted shares	6 477	–	6 477
Charges other than property	9 766	–	9 766
Debtors, stock and other corporate assets	4 083	–	4 083
Guarantees	21 609	23	21 632
Other	7 385	1 329	8 714
Total collateral	327 245	23 570	350 815
At 31 March 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	52 211
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 (for example, bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

Equity and investment risk in the banking book

Equity and investment risk description

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- **Principal Investments (Private Equity and Direct 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. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio with the intention to stimulate corporate activity. In South Africa, we also 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, which have largely arisen from corporate acquisitions made.

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

Valuation and accounting methodologies

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

R'million	Income (pre-funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
For the six months to 30 September 2015					
Unlisted investments	371	308	164	843	33
Listed equities	53	(1)	81	133	2
Investment and trading properties	(60)	69	–	9	–
Warrants, profit shares and other embedded derivatives	(10)	115	–	105	–
Total	354	491	245	1 090	35
For the year ended 31 March 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)

Summary of investments held and stress testing analyses

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

R'million	On-balance sheet value of investments 30 Sept 2015	Valuation change stress test 30 Sept 2015*	On-balance sheet value of investments 31 March 2015	Valuation change stress test 31 March 2015*
Unlisted investments^	8 318	1 248	7 791	1 169
Listed equities	2 908	727	2 913	728
Investment and trading properties	199	40	289	50
Warrants, profit shares and other embedded derivatives	288	101	299	105
Total	11 713	2 116	11 292	2 052

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

Additional information

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.

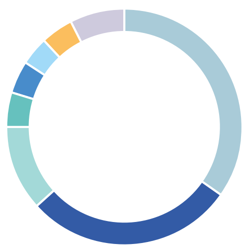
Stress testing summary

Based on the information at 30 September 2015, as reflected above we could have a R2.1 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 bank to report a loss but could have a significantly negative impact on earnings for that period.

An analysis of the investment portfolio warrants, profit shares and other embedded derivatives by industry of exposure

30 September 2015 (R11.5 billion)

Manufacturing and commerce	35.7%
Finance and insurance	29.9%
Mining and resources	7.8%
Communication	5.6%
Business services	5.5%
Other	4.9%
Real estate	4.6%
Retailer and wholesalers	3.4%
Construction	2.6%



31 March 2015 (R11.1 billion)

Manufacturing and commerce	34.8%
Finance and insurance	28.6%
Mining and resources	11.7%
Communication	4.7%
Business services	4.4%
Other	4.0%
Real estate	4.4%
Retailer and wholesalers	7.4%

Securitisation/structured credit activities exposures

The information below sets out the initiatives we have focused on over the past few years, albeit that some of these businesses lines have been curtailed given the current economic climate.

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 30 September 2015 are not regarded as material, and therefore no further information is disclosed for these exposures.

In South Africa, 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 Private Mortgages 1. This facility which totalled R0.2 billion at 30 September 2015 (31 March 2015: R0.2 billion), has not been drawn on and is thus reflected as off-balance sheet contingent exposures in terms of our credit analysis. 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/debit markets and traded and purchased in structured credit. These have largely been rated instruments in the UK and Europe, totalling R1.7 billion at 30 September 2015 (31 March 2015: R1.4 billion). These investments are risk weighted for regulatory capital purposes.

In addition, we have own originated, securitised assets in our Private Client business. 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 R7.3 billion (March 2015: R4.5 billion) residential mortgages (R7.3 billion).These securitisation structures have all been rated by Moody's.

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.

Nature of exposure/activity	Exposure 30 Sept 2015 R'million	Exposure 31 March 2015 R'million	Balance sheet and credit risk classification
Structured credit (gross exposure)*	3 480	4 419	Other debt securities
Rated	1 663	1 420	
Unrated	–	36	
Other (internally held)	1 817	2 963	
Loans and advances to customers and third party intermediary platforms (mortgage loans) (with the potential to be securitised) (net exposure)	403	472	Other loans and advances
Private Client division assets	7 310	4 535	Own originated loans and advances to customers securitised
Liquidity facilities provided to third party corporate securitisation vehicles	200	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

R'million	30 September 2015 Rated**	Unrated	Other (internally held, unrated)	Total	31 March 2015 Rated**	Unrated	Other (internally held, unrated)	Total
US corporate loans	41	–	–	41	35	–	–	35
UK and European RMBS	1 498	–	–	1 498	1 251	–	–	1 251
UK and European corporate loans	–	–	–	–	–	36	–	36
Australian RMBS	124	–	–	124	134	–	–	134
South African RMBS	–	–	1 817	1 817^	–	–	2 963	2 963^
Total	1 663	–	1 817	3 480	1 420	36	2 963	4 419

^ *Investments held in own-originated securitisation vehicles as explained above.*

** Further analysis of rated structured credit at 30 September 2015

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	41	–	–	–	41
UK and European RMBS	106	243	714	238	197	–	–	1 498
Australian RMBS	–	124	–	–	–	–	–	124
Total at 30 September 2015	106	367	714	279	197	–	–	1 663
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 a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel and policies determined by the board.

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 proprietary trading, market making, arbitrage, underwriting and investments in the foreign exchange, capital and money markets. The focus of these businesses 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.

Management and measurement of traded market risk

Market Risk Management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk and for the aggregate risk of the trading book.

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 every instrument traded against prescribed limits. Valuation models for new instruments or products are independently validated by Market Risk Management before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

The Market Risk Management teams review a profit attribution, where our daily traded revenue is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

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%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are, for example, the following: October 1987 (Black Monday), 11 September 2001, the December Rand crisis in 2001 and the Lehmans crisis. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. 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 breach' is considered to have occurred. Over time we expect the average rate of observed backtesting breaches to be consistent with the percentile of the VaR statistic being tested.

In South Africa, we have internal model approval from the SARB and so trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR. Backtesting results and a detailed stress-testing pack are submitted to the regulator on a monthly basis.

The graph that follows shows the result of backtesting total daily VaR against profit and loss figures for our trading activities over the reporting period. The values shown are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not be expected to lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

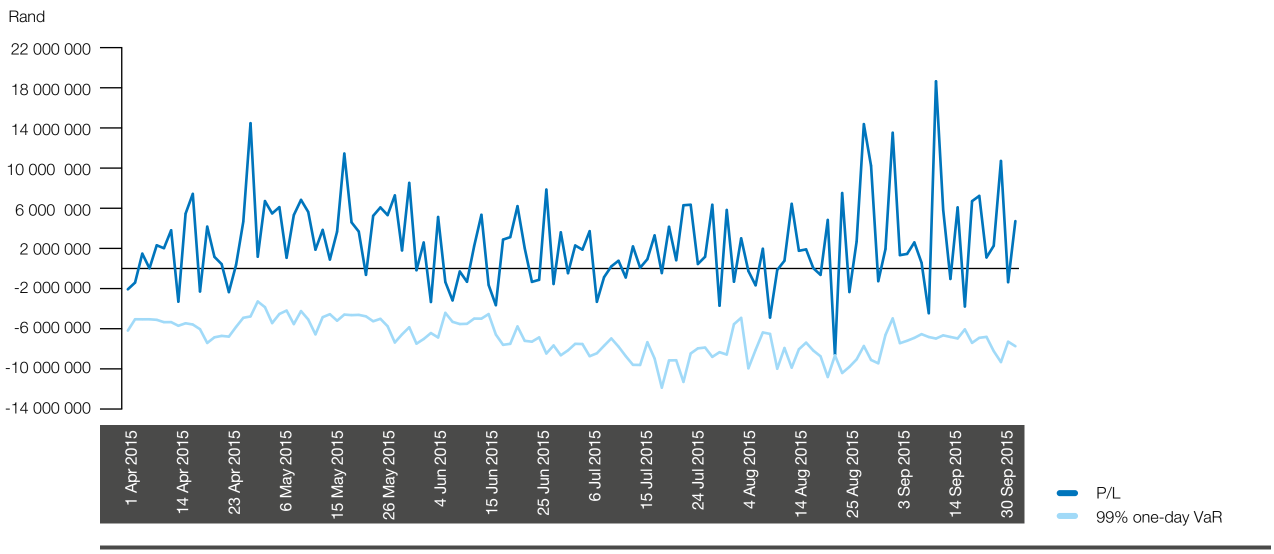
VaR

	30 September 2015				31 March 2015			
R'million	Period end	Average	High	Low	Year end	Average	High	Low
95% (one-day)								
Commodities	0.1	0.1	0.2	–	–	0.1	0.5	–
Equities	2.7	2.2	4.5	1.2	1.8	2.7	6.4	1.0
Foreign exchange	3.2	2.8	6.4	1.4	3.0	3.1	5.9	1.1
Interest rates	1.3	1.3	3.0	0.6	2.7	1.6	3.5	0.9
Consolidated*	4.1	4.1	8.4	2.1	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).*

VaR for the six months to 30 September 2015 increased moderately during the period. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception (as shown in the graph below), which is in line with the one exception that a 99% VaR implies. The exception was due to normal trading losses.

99% one-day VaR backtesting



ETL 95% (one-day)

R'million	30 Sept 2015	31 March 2015
Equities	4.2	2.5
Foreign exchange	5.1	4.4
Interest rates	2.0	3.8
Consolidated*	6.4	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.*

Stress testing

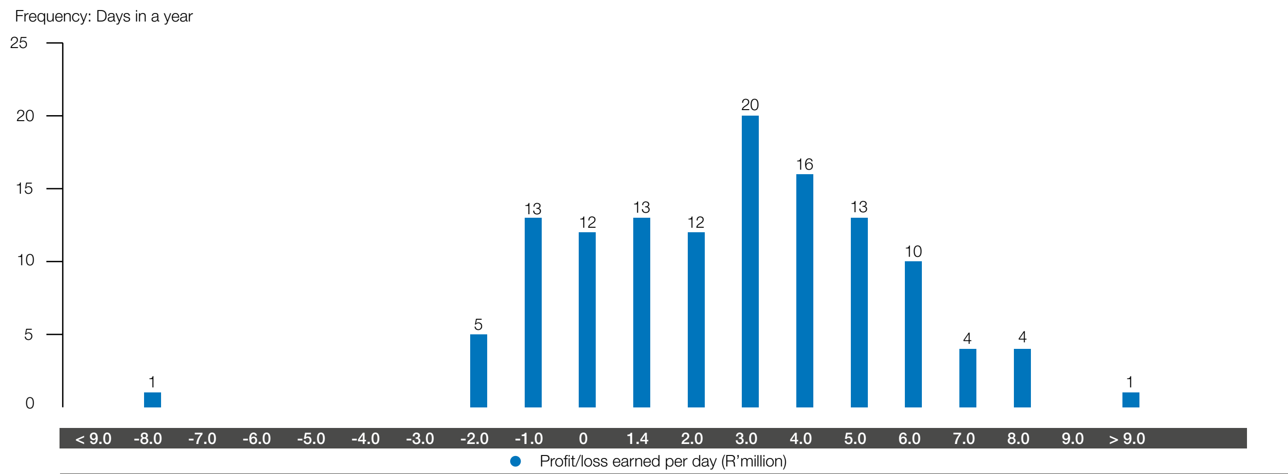
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers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

	30 September 2015				31 March 2015
R'million	Period end	Average	High	Low	Year end
99% (using 99% EVT)					
Commodities	0.1	0.2	1.9	–	0.1
Equities	8.8	6.6	26.8	2.8	9.7
Foreign exchange	13.0	13.5	72.2	4.4	16.2
Interest rates	4.5	5.4	9.5	2.1	7.7
Consolidated	12.1	13.4	53.0	5.1	13.4

Profit and loss histograms

The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 93 days out of a total of 124 days in the trading business. The average daily trading revenue generated for the six months to 30 September 2015 was R2.1 million (31 March 2015: R1.5 million).

Profit and loss



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 risks on balance sheet, encumbrance and leverage.

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.

Interest rate sensitivity gap at 30 September 2015

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

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	23 510	28	1	34	–	6 613	30 186
Cash and short-term funds – non-banks	11 408	24	–	–	–	3	11 435
Investment/trading assets and statutory liquids	29 854	11 032	7 344	12 651	13 020	9 956	83 857
Securitised assets	7 764	–	–	–	–	49	7 813
Advances	170 149	5 329	994	9 586	2 626	251	188 935
Other assets	1 423	–	–	–	–	3 459	4 882
Assets	244 108	16 413	8 339	22 271	15 646	20 331	327 108
Deposits – banks	(31 773)	(724)	–	–	–	(42)	(32 539)
Deposits – non-banks	(207 517)	(14 482)	(14 034)	(10 503)	(2 164)	(1 262)	(249 962)
Negotiable paper	(2 188)	(140)	(76)	(4 048)	–	–	(6 452)
Securitised liabilities	–	–	–	–	(571)	(386)	(957)
Subordinated liabilities	(7 379)	–	–	(200)	(2 605)	(224)	(10 408)
Other liabilities	(138)	–	–	(6)	–	(3 714)	(3 858)
Liabilities	(248 995)	(15 346)	(14 110)	(14 757)	(5 340)	(5 628)	(304 176)
Intercompany loans	8 864	1 475	(126)	2 189	513	1 739	14 654
Shareholders' funds	(1 158)	–	–	–	(11)	(29 446)	(30 615)
Balance sheet	2 819	2 542	(5 897)	9 703	10 808	(13 004)	6 971
Off-balance sheet	9 336	(4 677)	4 757	(8 302)	(7 890)	(195)	(6 971)
Repricing gap	12 155	(2 135)	(1 140)	1 401	2 918	(13 199)	–
Cumulative repricing gap	12 155	10 020	8 880	10 281	13 199	–	–

Economic value sensitivity at 30 September 2015

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

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	234.6	5.4	15.0	–	1.5	101.1	669.5
200bps up	(239.0)	(4.8)	(12.0)	0.1	(1.5)	(16.8)	(535.6)

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.

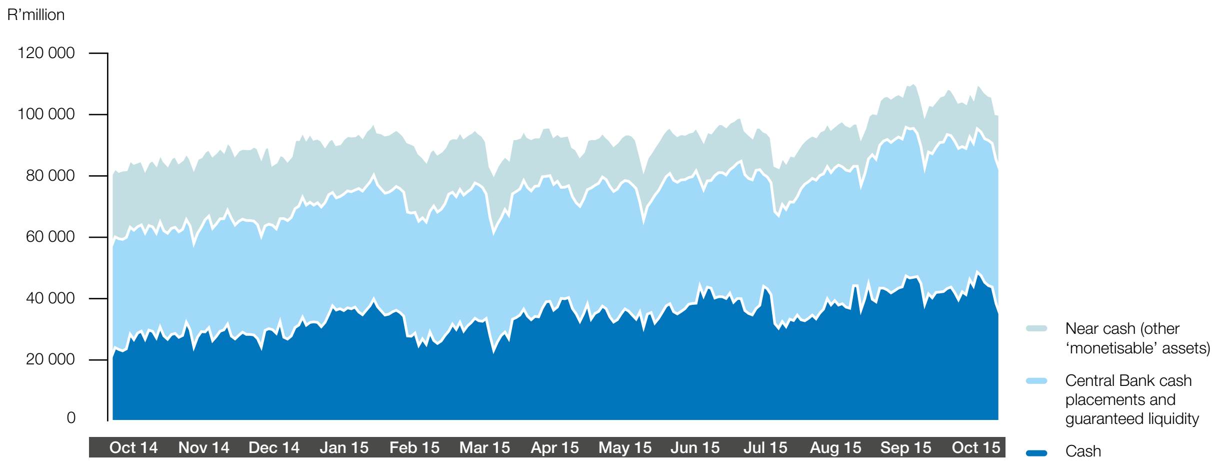
Liquidity risk is further broken down into:

- 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.

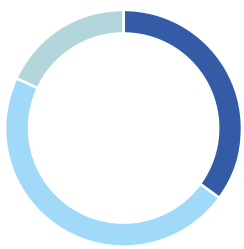
Sources of liquidity risk include:

- 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.

Cash and near cash trend



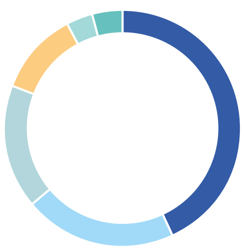
An analysis of cash and near cash at 30 September 2015



R100 042 million

Cash	35.1%
Central Bank cash placements and guaranteed central bank liquidity	46.9%
Near cash (other 'monetisable' assets)	18.0%

Bank and non-bank depositor concentration by type at 30 September 2015



R282 638 million

Other financials	43.1%
Non-financial corporates	20.8%
Individuals	17.0%
Banks	11.5%
Public sector	3.5%
Small business	4.1%

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 bank can be required to pay.

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R100.0 billion. We continued to enjoy strong inflows of customer deposits while maintaining good access to wholesale markets despite the underlying market environment. Our liquidity and funding profile reflects our strategy, risk appetite and business activities.

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 30 September 2015

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*	17 931	10 594	1 383	–	242	1 461	–	31 611
Cash and short-term funds – non-banks	11 244	3	164	24	–	–	–	11 435
Investment/trading assets and statutory liquids**	38 784	12 116	3 606	4 557	5 731	15 291	37 009	117 094
Securitised assets	793	11	47	87	148	408	6 319	7 813
Advances	5 872	4 312	9 258	11 171	20 775	92 025	45 522	188 935
Other assets	–	283	–	213	199	2 406	5 648	8 749
Assets	74 624	27 319	14 458	16 052	27 095	111 591	94 498	365 637
Deposits – banks	(1 847)	(5 778)	(4 525)	(1 477)	(1 580)	(17 332)	–	(32 539)
Deposits – non-banks	(105 083)^	(28 919)	(36 761)	(24 507)	(24 428)	(27 718)	(2 683)	(250 099)
Negotiable paper	–	(753)	(766)	(40)	(670)	(4 223)	–	(6 452)
Securitised liabilities	–	–	(4)	–	–	(4)	(949)	(957)
Investment/trading liabilities	(780)	(3 916)	(9 303)	(4 128)	(4 330)	(6 422)	(526)	(29 405)
Subordinated liabilities	–	–	–	–	(665)	(400)	(9 343)	(10 408)
Other liabilities	(150)	(317)	(90)	(167)	(80)	(147)	(4 211)	(5 162)
Liabilities	(107 860)	(39 683)	(51 449)	(30 319)	(31 753)	(56 246)	(17 712)	(335 022)
Shareholders' funds	–	–	–	–	–	–	(30 615)	(30 615)
Contractual liquidity gap	(33 236)	(12 364)	(36 991)	(14 267)	(4 658)	55 345	46 171	–
Cumulative liquidity gap	(33 236)	(45 600)	(82 591)	(96 858)	(101 516)	(46 171)	–	

^ *Includes call deposits of R102.3 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Note: Contractual profile of 'cash and near cash' asset class.

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	11 336	10 594	1 383	–	242	1 461	6 595	31 611
** Investment/trading assets and statutory liquids	–	17 442	10 365	13 613	10 597	18 089	46 988	117 094

Behavioural liquidity

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	32 842	7 781	(5 744)	623	1 643	(121 127)	83 982	–
Cumulative	32 842	40 623	34 879	35 502	37 145	(83 982)	–	

Liquidity coverage ratio

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 (HQLA) to survive a significant stress scenario lasting 30 calendar days.

In accordance with the provisions of section 6(6) of the South African Banks Act, 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6/2014 and Directive 11/2014. This disclosure is in accordance with Pillar 3 of the Basel III liquidity accord.

The values in the table below are calculated as the simple average of daily observations over the period 1 July 2015 to 30 September 2015 for Investec Bank Limited (IBL) bank solo. Fifty-seven business day observations were used. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of July, August and September 2015 month-end values.

The minimum LCR requirement was phased in at 60% on 1 January 2015, and will increase by 10% each year to 100% on 1 January 2019. This applies to both IBL bank solo and Investec Bank Limited consolidated group.

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

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

Total holding of HQLA grew by R10 billion over the quarter and contributed positively to the increase in the reported LCR.

The composition of HQLA:

- The HQLA comprises primarily of South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo
- At the end of September, Level 2 Assets made up 2.9% of the HQLA and the CLF contributed 7.5% to the HQLA
- Some foreign-denominated government securities are included in the HQLA, subject to regulatory limitations.

Investec Bank Limited consolidated group

The two banks, Investec Bank Limited and Investec Bank (Mauritius) Limited (IBM), contributed over 98% of the group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R4.3 billion are primarily to non-financial corporates, while their stressed inflows of R3.6 billion are 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.

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		50 651		50 802
Cash outflows				
Retail deposits and deposits from small business customers, of which:	43 150	4 315	45 821	4 582
Stable deposits	–	–	–	–
Less stable deposits	43 150	4 315	45 821	4 582
Unsecured wholesale funding, of which:	92 435	67 017	98 978	69 458
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	–	–	–	–
Non-operational deposits (all counterparties)	92 261	66 843	97 623	68 103
Unsecured debt	174	174	1 355	1 355
Secured wholesale funding		188		188
Additional requirements, of which:	53 021	7 611	55 030	6 895
Outflows related to derivatives exposures and other collateral requirements	11 451	2 633	11 439	2 621
Outflows related to loss of funding on debt products	1 128	1 128	126	126
(Undrawn committed) credit and liquidity facilities	40 442	3 850	43 465	4 148
Other contractual funding obligations	505	505	505	505
Other contingent funding obligations	107 544	5 671	105 087	5 549
Total cash outflows		85 307		87 178
Cash inflows				
Secured lending (e.g. reverse repos)	4 179	1 297	4 179	1 297
Inflows from fully performing exposures	39 922	37 072	44 705	41 145
Other cash inflows	3 486	3 486	3 486	3 486
Total cash inflows	47 587	41 855	52 370	45 928

	Bank Solo Total adjusted value	Consolidated group Total adjusted value
Total high-quality liquid assets	50 651	50 802
Total net cash outflows	43 452	41 250
Liquidity coverage ratio (%)	118.3	125.0

Capital structure and capital adequacy

R'million	30 Sept 2015	31 March 2015
Tier 1 capital		
Shareholders' equity	29 081	27 365
Shareholders' equity per balance sheet	30 615	28 899
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	1 483	1 140
Cash flow hedging reserve	1 483	1 140
Deductions	(729)	(190)
Goodwill and intangible assets net of deferred tax	(729)	(190)
Common equity tier 1 capital	29 835	28 315
Additional tier 1 capital	1 074	1 073
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(460)	(461)
Total tier 1 capital	30 909	29 388
Tier 2 capital		
Total qualifying tier 2 capital	10 412	10 319
Collective impairment allowances	212	169
Tier 2 instruments	10 408	10 449
Phase out non-qualifying tier 2 instruments	(208)	(299)
Tier 2 capital	10 412	10 319
Total regulatory capital	41 321	39 707
Risk-weighted assets	285 900	257 931
Capital ratios		
Common equity tier 1 ratio	10.4%	11.0%
Tier 1 ratio	10.8%	11.4%
Total capital adequacy ratio	14.5%	15.4%
Leverage ratio	7.9%	8.3%

Capital structure and capital adequacy (continued)

R'million	30 Sept 2015	31 March 2015
Capital requirements	28 590	25 794
Credit risk – prescribed standardised exposure classes	21 109	19 073
Corporates	12 904	11 505
Secured on real estate property	2 292	1 923
Short-term claims on institutions and corporates	3 586	3 242
Retail	457	549
Institutions	1 075	872
Other exposure classes	194	277
Securitisation exposures	601	705
Equity risk	4 503	4 297
Listed equities	825	847
Unlisted equities	3 678	3 450
Counterparty credit risk	547	576
Credit valuation adjustment risk	274	32
Market risk	505	324
Interest rate	71	88
Foreign exchange	224	113
Commodities	3	10
Equities	207	113
Operational risk – standardised approach	1 652	1 492

Risk-weighted assets

R'million	30 Sept 2015	31 March 2015
Risk-weighted assets	285 900	257 931
Credit risk – prescribed standardised exposure classes	211 082	190 717
Corporates	129 022	115 047
Secured on real estate property	22 923	19 230
Short-term claims on institutions and corporates	35 862	32 420
Retail	4 569	5 488
Institutions	10 751	8 717
Other exposure classes	1 941	2 770
Securitisation exposures	6 014	7 045
Equity risk	45 031	42 967
Listed equities	8 247	8 472
Unlisted equities	36 784	34 495
Counterparty credit risk	5 473	5 762
Credit valuation adjustment risk	2 740	324
Market risk	5 052	3 240
Interest rate	711	878
Foreign exchange	2 238	1 134
Commodities	28	96
Equities	2 075	1 132
Operational risk – standardised approach	16 522	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

R'million	30 Sept 2015	31 March 2015
Opening common equity tier 1 capital	28 315	24 487
Dividends	(59)	(135)
Profit after taxation	1 785	3 128
Movement in other comprehensive income	(10)	305
Goodwill and intangible assets (deduction net of related tax liability)	(539)	(88)
Other, including regulatory adjustments and transitional arrangements	343	618
Closing common equity tier 1 capital	29 835	28 315
Opening additional tier 1 capital	1 074	1 227
Other, including regulatory adjustments and transitional arrangements	–	(153)
Closing additional tier 1 capital	1 074	1 074
Closing tier 1 capital	30 909	29 389
Opening tier 2 capital	10 320	10 670
Redeemed capital	(175)	(250)
Collective impairment allowances	44	(2)
Other, including regulatory adjustments and transitional arrangements	223	(98)
Closing tier 2 capital	10 412	10 320
Closing total regulatory capital	41 321	39 708

A summary of capital adequacy and leverage ratios

	30 Sept 2015	31 March 2015
Common equity tier 1 (as reported)	10.4%	11.0%
Common equity tier 1 (fully loaded)^^	10.4%	10.9%
Tier 1 (as reported)	10.8%	11.4%
Total capital adequacy ratio (as reported)	14.5%	15.4%
Leverage ratio** – permanent capital	8.0%	8.5%
Leverage ratio** – current	7.9%	8.3%
Leverage ratio** – (fully loaded)^^	7.6%	8.0%

^^ *Based on the group's understanding of current 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.*

Summary comparison of accounting assets versus leverage ratio exposure measure

	R'million	30 Sept 2015	31 March 2015
1	Total consolidated assets as per published financial statements	365 637	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	(2 319)	(1 989)
5	Securities financing transactions (i.e. repos and similar secured lending)	(2 838)	(2 756)
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	33 949	24 960
7	Other adjustments	(729)	(190)
8	Leverage ratio exposure	393 700	352 731

Leverage ratio common disclosure template

	R'million	30 Sept 2015	31 March 2015
	Leverage ratio framework		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	327 879	307 433
2	Asset amounts deducted in determining Basel III tier 1 capital	(729)	(190)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**327 150**	**307 243**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	8 518	8 081
5	Add-on amounts for PFE associated with all derivatives transactions	3 655	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)**	**12 173**	**13 189**
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	19 973	6 672
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	Counterparty Credit Risk (CCR) exposures for SFT assets	455	667
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures (sum line 12 to 15)	20 428	7 339
17	Off-balance sheet exposure at gross notional amount	84 158	80 821
18	Adjustments for conversion to credit equivalent amounts	(50 209)	(55 861)
19	Off-balance sheet items (sum line 17 and 18)	33 949	24 960
20	Tier 1 capital	30 909	29 388
21	Total exposures (sum of lines 3, 11, 16 and 19)	393 700	352 731
22	Basel III leverage ratio	7.9%	8.3%

Investec Bank Limited

A subsidiary of Investec Limited

Fani Titi (53)

Non-executive chairman
BSc (Hons), MA, MBA

David M Lawrence (64)

Deputy chairman
BA (Econ) (Hons), MCom

Sam E Abrahams (76)

FCA, CA(SA)

Zarina BM Bassa (51)

BAcc, DipAcc, CA(SA)

Glynn R Burger (58)

BAcc, CA(SA), H Dip BDP, MBL

David Friedland (62)

BCom, CA(SA)

Bernard Kantor (65)

CTA

Stephen Koseff (63)

BCom, CA(SA), H Dip BDP, MBA

Khumo L Shuenyane (44)

BEcon, CA(England & Wales)

Bradley Tapnack (68)

BCom, CA(SA)

Peter RS Thomas (70)

CA(SA)

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Annexures (unaudited)

Annexure 1 Dividend announcement

Investec Bank Limited

Incorporated in the Republic of South Africa
Registration number 1969/004763/06
Share code: INLP
ISIN: ZAE000048393

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares (preference shares)

Declaration of dividend number 25

Notice is hereby given that preference dividend number 25 has been declared by the board from income reserves for the period 01 April 2015 to 30 September 2015 amounting to a gross preference dividend of 390.39534 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 04 December 2015.

The relevant dates for the payment of dividend number 25 are as follows:

Last day to trade cum-dividend	Friday, 27 November 2015
Shares commence trading ex-dividend	Monday, 30 November 2015
Record date	Friday, 04 December 2015
Payment date	Monday, 14 December 2015

Share certificates may not be dematerialised or rematerialised between Monday, 30 November 2015 and Friday, 04 December 2015, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares in this specific class
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- The net dividend amounts to 331.83604 cents per preference share for shareholders liable to pay the Dividend Tax and 390.39534 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk
Company secretary

18 November 2015

Annexure 2 Additional note disclosures

Operating costs

For the six months to R'million	30 Sept 2015	30 Sept 2014
Staff costs	2 055	1 552
Premises expenses (excluding depreciation)	188	187
Equipment expenses (excluding depreciation)	111	88
Business expenses	196	158
Marketing expenses	183	143
Depreciation, amortisation and impairment of property, equipment and intangibles	78	67
	2 811	2 195

Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

R'million	30 Sept 2015	31 March 2015
Assets		
Reverse repurchase agreements	17 818	6 221
Cash collateral on securities borrowed	5 449	3 874
	23 267	10 095
Liabilities		
Repurchase agreements	14 368	16 556
Cash collateral on securities lent	–	–
	14 368	16 556

Extract of other debt securities

R'million	30 Sept 2015	31 March 2015
Bonds	9 330	7 654
Commercial paper	75	75
Floating rate notes	4 321	4 850
Treasury bills	298	–
Other investments	–	170
	14 024	12 749

Extract of securities arising from trading activities

R'million	30 Sept 2015	31 March 2015
Bonds	1 382	978
Floating rate notes	154	40
Listed equities	1 818	271
	3 354	1 289

Extract of loans and advances to customers and other loans and advances

R'million	30 Sept 2015	31 March 2015
Gross loans and advances to customers	189 856	174 132
Impairments of loans and advances to customers	(1 324)	(1 139)
Specific impairments	(1 111)	(970)
Portfolio impairments	(213)	(169)
Net loans and advances to customers	188 532	172 993
Gross other loans and advances to customers	445	490
Impairments of other loans and advances to customers	(42)	(18)
Specific impairments	(41)	(17)
Portfolio impairments	(1)	(1)
Net other loans and advances to customers	403	472

Extract of securitised assets and liabilities arising on securitisation

R'million	30 Sept 2015	31 March 2015
Gross own originated loans and advances to customers securitised	7 316	4 537
Impairments of own originated loans and advances to customers securitised	(6)	(2)
Specific impairments	(1)	(1)
Portfolio impairments	(5)	(1)
Net own originated loans and advances to customers securitised	7 310	4 535
Net other loans and advances to customers	503	618

Other assets

R'million	30 Sept 2015	31 March 2015
Settlement debtors	170	17
Trading properties	198	209
Prepayments and accruals	257	280
Trading initial margins	324	204
Blue Strata debtors	1 389	–
Fee debtors	24	83
Other	2 517	469
	4 879	1 262

Debt securities in issue

R'million	30 Sept 2015	31 March 2015
Repayable in:		
Less than three months	80	77
Three months to one year	658	1 149
One to five years	5 714	4 291
	6 452	5 517

Other liabilities

R'million	30 Sept 2015	31 March 2015
Settlement liabilities	909	885
Other creditors and accruals	2 003	2 267
Other non-interest-bearing liabilities	1 283	589
	4 195	3 741

Extract of perpetual preference share capital

R'million	30 Sept 2015	31 March 2015
Perpetual preference share capital	*	*
Perpetual preference share premium	1 534	1 534
	1 534	1 534

* *Less than R1 million.*

Extract of deferred taxation

R'million	30 Sept 2015	31 March 2015
Losses carried forward	1	1

Other assets

R'million	30 Sept 2015	31 March 2015
Issued by Investec Bank Limited	10 408	10 449
Remaining maturities:		
In one year or less, or on demand	–	175
In more than one year, but not more than two years	–	–
In more than two years, but not more than five years	4 038	400
In more than five years	6 370	9 874

Offsetting

At 30 September 2015 R'million	Amounts subject to enforceable netting arrangements: Effects of offsetting on-balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Net amount
Assets					
Cash and balances at central banks	6 698	–	6 698	–	6 698
Loans and advances to banks	37 271	(12 358)	24 913	–	24 913
Non-sovereign and non-bank cash placements	11 435	–	11 435	–	11 435
Reverse repurchase agreements and cash collateral on securities borrowed	23 267	–	23 267	–	23 267
Sovereign debt securities	34 850	–	34 850	(2 922)	31 928
Bank debt securities	15 829	–	15 829	(3 272)	12 557
Other debt securities	14 024	–	14 024	(4 643)	9 381
Derivative financial instruments	16 266	(1 775)	14 491	(6 488)	8 003
Securities arising from trading activities	3 354	–	3 354	(2 411)	943
Investment portfolio	10 625	–	10 625	–	10 625
Loans and advances to customers	188 978	(446)	188 532	–	188 532
Own originated loans and advances to customers securitised	7 310	–	7 310	–	7 310
Other loans and advances	403	–	403	–	403
Other securitised assets	503	–	503	–	503
Other assets	4 879	–	4 879	–	4 879
	375 692	(14 579)	361 113	(19 736)	341 377
Liabilities					
Deposits by banks	34 314	(1 775)	32 539	–	32 539
Derivative financial instruments	25 446	(12 358)	13 088	(6 488)	6 600
Other trading liabilities	1 949	–	1 949	–	1 949
Repurchase agreements and cash collateral on securities lent	14 368	–	14 368	(13 248)	1 120
Customer accounts (deposits)	250 545	(446)	250 099	–	250 099
Debt securities in issue	6 452	–	6 452	–	6 452
Liabilities arising on securitisation of own originated loans and advances	957	–	957	–	957
Other liabilities	4 195	–	4 195	–	4 195
Subordinated liabilities	10 408	–	10 408	–	10 408
	348 634	(14 579)	334 055	(19 736)	314 319

Offsetting (continued)

At 31 March 2015 R'million	Amounts subject to enforceable netting arrangements — Effects of offsetting on-balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Net amount
Assets					
Cash and balances at central banks	6 261	–	6 261	–	6 261
Loans and advances to banks	43 242	(9 820)	33 422	–	33 422
Non-sovereign and non-bank cash placements	10 540	–	10 540	–	10 540
Reverse repurchase agreements and cash collateral on securities borrowed	10 095	–	10 095	–	10 095
Sovereign debt securities	31 378	–	31 378	(8 220)	23 158
Bank debt securities	17 332	–	17 332	(4 144)	13 188
Other debt securities	12 749	–	12 749	(1 712)	11 037
Derivative financial instruments	15 892	(714)	15 178	(6 374)	8 804
Securities arising from trading activities	1 289	–	1 289	(1 146)	143
Investment portfolio	9 972	–	9 972	–	9 972
Loans and advances to customers	174 839	(1 846)	172 993	–	172 993
Own originated loans and advances to customers securitised	4 535	–	4 535	–	4 535
Other loans and advances	472	–	472	–	472
Other securitised assets	618	–	618	–	618
Other assets	1 262	–	1 262	–	1 262
	340 476	(12 380)	328 096	(21 596)	306 500
Liabilities					
Deposits by banks	30 506	(714)	29 792	–	29 792
Derivative financial instruments	22 221	(9 820)	12 401	(6 374)	6 027
Other trading liabilities	1 623	–	1 623	–	1 623
Repurchase agreements and cash collateral on securities lent	16 556	–	16 556	(15 222)	1 334
Customer accounts (deposits)	223 223	(1 846)	221 377	–	221 377
Debt securities in issue	5 517	–	5 517	–	5 517
Liabilities arising on securitisation of own originated loans and advances	1 089	–	1 089	–	1 089
Other liabilities	3 741	–	3 741	–	3 741
Subordinated liabilities	10 449	–	10 449	–	10 449
	314 925	(12 380)	302 545	(21 596)	280 949