2016

Out of the Ordinary®

Investec

INVESTEC LIMITED FINANCIAL INFORMATION (excluding the results of Investec Plc)

Unaudited condensed consolidated financial information for the six months ended 30 September 2016

IFRS – Rand

	30 Sept 2016	30 Sept 2015	% change	31 March 2016
Total operating income before impairment losses on loans and advances (R'million)	8 489	8 227	3.2%	16 709
Operating costs (R'million)	4 568	4 418	3.4%	8 751
Operating profit before goodwill and acquired intangibles (R'million)	3 598	3 521	2.2%	7 438
Headline earnings attributable to ordinary shareholders (R'million)	2 152	2 364	(9.0%)	4 515
Cost to income ratio	53.8%	53.7%		52.4%
Total capital resources (including subordinated liabilities) (R'million)	56 906	47 498	19.8%	53 208
Total shareholders equity (R'million)	43 874	37 090	18.3%	41 851
Total assets (R'million)	578 983	520 279	11.3%	568 779
Net core loans and advances (R'million)	225 304	199 440	13.0%	217 958
Customer accounts (deposits) (R'million)	290 969	250 099	16.3%	279 820
Cash and near cash balances (R'million)	123 878	100 042	23.8%	124 907
Funds under management (R'million)	888 125	798 638	11.2%	866 923
Capital adequacy ratio	14.4%	14.2%		14.0%
Tier 1 ratio	10.8%	10.9%		10.7%
Common equity tier 1 ratio	9.8%	9.5%		9.6%
Leverage ratio	7.3%	7.4%		6.9%
Defaults (net of impairments) as a % of net core loans and advances	1.25%	1.12%		1.05%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–		–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.29%	0.28%		0.26%
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	10.2x	10.9x		10.6x
Loans and advances to customers: customer accounts (deposits)	74.2%	75.9%		74.6%

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Interest income	15 307	11 066	23 977
Interest expense	(11 716)	(8 062)	(17 491)
Net interest income	**3 591**	**3 004**	**6 486**
Fee and commission income	4 587	3 679	7 749
Fee and commission expense	(260)	(205)	(463)
Investment income	227	1 369	2 119
Share of post taxation operating profit/(loss) of associates	172	(11)*	(11)*
Trading income arising from			
– customer flow	153	219	353
– balance sheet management and other trading activities	20	169	438
Other operating (loss)/income	(1)	3*	38*
Total operating income before impairment losses on loans and advances	**8 489**	**8 227**	**16 709**
Impairment losses on loans and advances	(323)	(288)	(520)
Operating income	**8 166**	**7 939**	**16 189**
Operating costs	(4 568)	(4 418)	(8 751)
Operating profit before goodwill and acquired intangibles	**3 598**	**3 521**	**7 438**
Impairment of goodwill	(5)	(15)	(34)
Amortisation of acquired intangibles	(26)	(13)	(39)
Profit before taxation	**3 567**	**3 493**	**7 365**
Taxation on operating profit before goodwill and acquired intangibles	(690)	(687)	(1 456)
Taxation on acquired intangibles	7	4	11
Profit after taxation	**2 884**	**2 810**	**5 920**
Profit attributable to Asset Management non-controlling interests	(83)	(64)	(129)
Profit attributable to other non-controlling interests	(350)	(245)	(795)
Earnings attributable to shareholders	**2 451**	**2 501**	**4 996**

* *Share of post taxation operating profit/(loss) of associates has been shown separately from other operating income in the current period.*

Consolidated statement of total comprehensive income

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Profit after taxation	2 884	2 810	5 920
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*	372	(347)	(708)
Gains on realisation of available-for-sale assets recycled to the income statement*	(60)	(13)	(13)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	489	(227)	(349)
Foreign currency adjustments on translating foreign operations	(387)	754	1 116
Total comprehensive income	**3 298**	**2 977**	**5 966**
Total comprehensive income attributable to ordinary shareholders	2 646	2 465	4 631
Total comprehensive income attributable to non-controlling interests	433	309	924
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	219	203	411
Total comprehensive income	**3 298**	**2 977**	**5 966**

* *Net of taxation of (R167.3 million) [Six months to 30 September 2015: (R279.3 million); year to 31 March 2016: R477.3 million].*

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Earnings attributable to shareholders	2 451	2 501	4 996
Dividends paid to perpetual preference shareholders	(219)	(203)	(411)
Earnings attributable to ordinary shareholders	**2 232**	**2 298**	**4 585**
Headline adjustments:	(80)	66	(70)
Impairment of goodwill	5	15	34
Revaluation of investment properties, net of taxation*	(25)	(30)	(198)
Gain on realisation of available-for-sale assets recycled to the income statement, net of taxation*	(60)	(13)	(13)
Write down of non-current assets classified as held for sale, net of taxation*	–	94	107
Headline earnings attributable to ordinary shareholders	**2 152**	**2 364**	**4 515**

* *Taxation on headline earnings adjustments amounted to R31.8 million [Six months to 30 September 2015: (R19.9 million), year to 31 March 2016: R25.6 million].*

Consolidated balance sheet

At R'million	30 Sept 2016	31 March 2016	30 Sept 2015
Assets			
Cash and balances at central banks	8 101	7 801	6 698
Loans and advances to banks	34 309	29 483	27 414
Non-sovereign and non-bank cash placements	10 218	9 858	11 435
Reverse repurchase agreements and cash collateral on securities borrowed	35 120	43 317	28 621
Sovereign debt securities	47 800	41 325	34 850
Bank debt securities	8 294	15 117	16 874
Other debt securities	11 492	11 753	11 284
Derivative financial instruments	11 805	15 839	14 483
Securities arising from trading activities	13 320	12 566	14 588
Investment portfolio	5 261	4 683	11 204
Loans and advances to customers	215 986	208 720	189 732
Own originated loans and advances to customers securitised	9 318	9 238	9 708
Other loans and advances	336	367	403
Other securitised assets	174	201	951
Interests in associated undertakings	5 382	5 145	53
Deferred taxation assets	480	572	475
Other assets	11 674	9 596	13 663
Property and equipment	726	729	744
Investment properties	18 118	18 167	9 919
Goodwill	233	238	258
Intangible assets	521	524	557
Non-current assets classified as held for sale	497	–	601
	449 165	445 239	404 515
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	129 818	123 540	115 764
	578 983	**568 779**	**520 279**
Liabilities			
Deposits by banks	35 716	40 063	33 303
Derivative financial instruments	11 897	13 424	13 088
Other trading liabilities	15 215	15 441	21 849
Repurchase agreements and cash collateral on securities lent	16 721	16 916	14 368
Customer accounts (deposits)	290 969	279 820	250 099
Debt securities in issue	9 296	12 779	10 700
Liabilities arising on securitisation of own originated loans and advances	1 638	1 810	1 732
Current taxation liabilities	1 155	1 084	1 299
Deferred taxation liabilities	444	457	830
Other liabilities	9 209	10 237	9 749
	392 260	392 031	357 017
Liabilities to customers under investment contracts	129 775	123 508	115 729
Insurance liabilities, including unit-linked liabilities	43	32	35
	522 078	515 571	472 781
Subordinated liabilities	13 032	11 357	10 408
	535 110	**526 928**	**483 189**
Equity			
Ordinary share capital	1	1	1
Share premium	11 626	10 909	10 909
Treasury shares	(1 362)	(1 249)	(1 213)
Other reserves	1 311	970	993
Retained income	21 880	20 996	19 538
Shareholders' equity excluding non-controlling interests	33 456	31 627	30 228
Other Additional Tier 1 securities in issue	550	550	550
Non-controlling interests	9 867	9 674	6 312
– Perpetual preferred securities issued by subsidiaries	1 534	1 534	1 534
– Non controlling interests in partially held subsidiaries	8 333	8 140	4 778
Total equity	**43 873**	**41 851**	**37 090**
Total liabilities and equity	**578 983**	**568 779**	**520 279**

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Balance at the beginning of the period	41 851	35 526	35 526
Total comprehensive income	3 298	2 977	5 966
Share-based payments adjustments	280	280	592
Dividends paid to ordinary shareholders	(1 473)	(1 032)	(1 589)
Dividends paid to other equity holders including other Additional Tier 1 securities	(123)	(116)	(234)
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	(96)	(87)	(177)
Dividends paid to non-controlling interests	(240)	(252)	(611)
Issue of ordinary shares	717	612	612
Movement in non-controlling interests due to share issues in subsidiary	–	90	3 247
Movement of treasury shares	(341)	(908)	(1 481)
Balance at the end of the period	**43 873**	**37 090**	**41 851**

Segmental business analysis – income statement

For the six months to 30 September 2016 R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	50	60	3 481	–	3 591
Net fee and commission income	1 744	716	1 867	–	4 327
Investment income	–	1	226	–	227
Share of post taxation operating profit of associates	–	–	172	–	172
Trading income arising from					
– customer flow	–	2	151	–	153
– balance sheet management and other trading activities	(17)	(1)	38	–	20
Other operating (loss)/income	(2)	–	1	–	(1)
Total operating income before impairment on loans and advances	**1 775**	**778**	**5 936**	**–**	**8 489**
Impairment losses on loans and advances	–	–	(323)	–	(323)
Operating income	**1 775**	**778**	**5 613**	**–**	**8 166**
Operating costs	(1 004)	(499)	(2 943)	(122)	(4 568)
Operating profit before goodwill and non-controlling interests	**771**	**279**	**2 670**	**(122)**	**3 598**
Impairment of goodwill	(5)	–	–	–	(5)
Amortisation of acquired intangible	–	–	(26)	–	(26)
Profit before taxation	**766**	**279**	**2 644**	**(122)**	**3 567**
Profit attributable to Asset Management non-controlling interests	(83)	–	–	–	(83)
Profit attributable to other non-controlling interests	–	–	(350)	–	(350)
Profit before goodwill, taxation after non-controlling interests	**683**	**279**	**2 294**	**(122)**	**3 134**
Cost to income ratio	56.6%	64.1%	49.6%	n/a	**53.8%**
Total assets (R'million)	131 702	15 802	431 479	–	**578 983**

For the six months to 30 September 2015 R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	35	30	2 939	–	3 004
Net fee and commission income	1 402	597	1 475	–	3 474
Investment income	1	–	1 368	–	1 369
Share of post taxation operating loss of associates	–	–	(10)	–	(10)
Trading income arising from					
– customer flow	–	1	218	–	219
– balance sheet management and other trading activities	4	2	163	–	169
Other operating income	1	–	1	–	2
Total operating income before impairment on loans and advances	**1 443**	**630**	**6 154**	**–**	**8 227**
Impairment losses on loans and advances	–	–	(288)	–	(288)
Operating income	**1 443**	**630**	**5 866**	**–**	**7 939**
Operating costs	(856)	(399)	(3 054)	(109)	(4 418)
Operating profit before goodwill and non-controlling interests	**587**	**231**	**2 812**	**(109)**	**3 521**
Impairment of goodwill	(15)	–	–	–	(15)
Amortisation of acquired intangible	–	–	(13)	–	(13)
Profit before taxation	**572**	**231**	**2 799**	**(109)**	**3 493**
Profit attributable to Asset Management non-controlling interests	(64)	–	–	–	(64)
Profit attributable to other non-controlling interests	–	–	(245)	–	(245)
Profit before goodwill and taxation after non-controlling interests	**508**	**231**	**2 554**	**(109)**	**3 184**
Cost to income ratio	59.3%	63.3%	49.6%	n/a	**53.7%**
Total assets (R'million)	125 119	22 161	372 999	–	**520 279**

Net interest income

For the six months to 30 September R'million	Notes	2016 Balance sheet value	2016 Interest income	2015 Balance sheet value	2015 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	143 843	3 935	125 892	2 787
Core loans and advances	2	225 304	10 671	199 440	8 026
Private client		150 641	7 182	132 248	5 227
Corporate, institutional and other clients		74 663	3 489	67 192	2 799
Other debt securities and other loans and advances		11 828	333	11 687	207
Other interest-earning assets	3	174	368	951	46
Total interest-earning assets		**381 149**	**15 307**	**337 970**	**11 066**

For the six months to 30 September R'million	Notes	2016 Balance sheet value	2016 Interest expense	2015 Balance sheet value	2015 Interest expense
Deposits by banks and other debt-related securities	4	61 731	(1 097)	58 369	(830)
Customer accounts (deposits)		290 969	(9 967)	250 099	(6 750)
Other interest-bearing liabilities	5	1 638	(176)	1 732	(81)
Subordinated liabilities		13 032	(476)	10 408	(401)
Total interest-bearing liabilities		**367 370**	**(11 716)**	**320 608**	**(8 062)**
Net interest income			**3 591**		**3 004**

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; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per balance sheet) liabilities arising on securitisation of own originated loans and advances.*

Net fee and commission income

For the six months to 30 September R'million	2016	2015
Asset management and wealth management businesses net fee and commission income	**2 460**	**1 999**
Fund management fees/fees for assets under management	2 165	1 788
Private client transactional fees	376	309
Fee and commission expense	(81)	(98)
Specialist Banking net fee and commission income	**1 867**	**1 475**
Corporate and institutional transactional and advisory services	1 724	1 251
Private client transactional fees	322	331
Fee and commission expense	(179)	(107)
Net fee and commission income	**4 327**	**3 474**
Annuity fees (net of fees payable)	3 308	2 703
Deal fees	1 019	771

Investment income

For the six months to 30 September R'million	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2016					
Realised	135	92	77	23	327
Unrealised	(182)	–	(36)	(38)	(256)
Dividend income	158	–	–	3	161
Funding and other net related (costs)/income	(22)	–	–	17	(5)
	89	**92**	**41**	**5**	**227**
2015					
Realised	424	63	170	14	671
Unrealised	709	40	(111)	1	639
Dividend income	196	–	–	–	196
Funding and other net related (costs)/income	(145)	–	–	8	(137)
	1 184	**103**	**59**	**23**	**1 369**

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

Analysis of assets and liabilities by measurement basis

At 30 September 2016 R'million	Total instruments at fair value	Total instruments at amortised cost	Insurance related linked instruments at fair value	Non-financial instruments	Total
Assets					
Cash and balances at central banks	–	8 101	–	–	8 101
Loans and advances to banks	763	33 546	–	–	34 309
Non-sovereign and non-bank cash placements	38	10 180	–	–	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	19 024	16 096	–	–	35 120
Sovereign debt securities	43 953	3 847	–	–	47 800
Bank debt securities	4 998	3 296	–	–	8 294
Other debt securities	9 610	1 882	–	–	11 492
Derivative financial instruments	11 805	–	–	–	11 805
Securities arising from trading activities	13 320	–	–	–	13 320
Investment portfolio	5 261	–	–	–	5 261
Loans and advances to customers	14 345	201 641	–	–	215 986
Own originated loans and advances to customers securitised	–	9 318	–	–	9 318
Other loans and advances	–	336	–	–	336
Other securitised assets	–	174	–	–	174
Interests in associated undertakings	–	–	–	5 382	5 382
Deferred taxation assets	–	–	–	480	480
Other assets	1 245	6 059	–	4 370	11 674
Property and equipment	–	–	–	726	726
Investment properties	–	–	–	18 118	18 118
Goodwill	–	–	–	233	233
Intangible assets	–	–	–	521	521
Non-current assets held for resale	–	–	–	497	497
	124 362	**294 476**	**–**	**30 327**	**449 165**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	129 818	–	129 818
	124 362	**294 476**	**129 818**	**30 327**	**578 983**
Liabilities					
Deposits by banks	–	35 716	–	–	35 716
Derivative financial instruments	11 897	–	–	–	11 897
Other trading liabilities	15 215	–	–	–	15 215
Repurchase agreements and cash collateral on securities lent	78	16 643	–	–	16 721
Customer accounts (deposits)	9 160	281 809	–	–	290 969
Debt securities in issue	3 941	5 355	–	–	9 296
Liabilities arising on securitisation of own originated loans and advances	–	1 638	–	–	1 638
Current taxation liabilities	–	–	–	1 155	1 155
Deferred taxation liabilities	–	–	–	444	444
Other liabilities	731	3 602	–	4 876	9 209
	41 022	**344 763**	**–**	**6 475**	**392 260**
Liabilities to customers under investment contracts	–	–	129 775	–	129 775
Insurance liabilities, including unit-linked liabilities	–	–	43	–	43
	41 022	**344 763**	**129 818**	**6 475**	**522 078**
Subordinated liabilities	–	13 032	–	–	13 032
	41 022	**357 795**	**129 818**	**6 475**	**535 110**

Financial instruments 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 (ie as prices) or indirectly (ie derived from prices)

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

Assets and liabilities related to the long-term assurance business attributable to policyholders are categorised as level 1 in the fair value category.

		Fair value category		
At 30 September 2016 R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans and advances to banks	763	763	–	–
Non-sovereign and non-bank cash placements	38	–	38	–
Reverse repurchase agreements and cash collateral on securities borrowed	19 024	3 092	15 932	–
Sovereign debt securities	43 953	43 953	–	–
Bank debt securities	4 998	2 833	2 165	–
Other debt securities	9 610	9 436	174	–
Derivative financial instruments	11 805	–	11 795	10
Securities arising from trading activities	13 320	13 320	–	–
Investment portfolio	5 261	1 764	48	3 449
Loans and advances to customers	14 345	–	14 345	–
Other assets	1 245	1 245	–	–
	124 362	**76 406**	**44 497**	**3 459**
Liabilities				
Derivative financial instruments	11 897	–	11 897	–
Other trading liabilities	15 215	14 116	1 099	–
Repurchase agreements and cash collateral on securities lent	78	–	78	–
Customer accounts (deposits)	9 160	–	9 160	–
Debt securities in issue	3 941	–	3 941	–
Other liabilities	731	–	731	–
	41 022	**14 116**	**26 906**	**–**
Net financial assets at fair value	**83 340**	**62 290**	**17 591**	**3 459**

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

There were no transfers between level 1 and level 2 of the fair value category in the current year.

LEVEL 3 INSTRUMENTS

The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy. All instruments are at fair value through profit or loss:

R'million	2016
Balance at 1 April 2016	2 797
Total gains reccognised in the income statement	(27)
Purchases	874
Sales	(127)
Transfers into level 3	4
Foreign exchange adjustments	(62)
Balance at 30 September 2016	**3 459**

For the period ended 30 September 2016, R4.4 million has been transferred into level 3 from level 2 as a result of the inputs to the valuation methods becoming unobservable in the market.

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

For the six months to 30 September 2016

R'million	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest expense	(6)	(6)	–
Investment income	10	39	(29)
Trading income arising from customer flow	(31)	(27)	(4)
	(27)	**6**	**(33)**

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 2016	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Reflected in the income statement	
					Favourable changes	Unfavourable changes
Assets						
Derivative financial instruments	10	Price multiple	Net asset value	(10%) – 10%	1	(1)
					1	(1)
Investment portfolio	3 449				722	(563)
		Price earnings	Change in PE multiple	*	378	(85)
		Other^	Various	**	344	(478)
Total	**3 459**				**723**	**(564)**

* *The price-earnings multiple has been determined on an investment by investment basis in order to obtain favourable and unfavourable valuations.*

** *These valuation sensitivities have been determined individually using varying scenario-based techniques to obtain the favourable and unfavourable valuations.*

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share portfolios) has been assessed by adjusting various inputs such as expected cash flows, discount rates and earnings multiples. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

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 assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
	Black-Scholes	Volatilities
Bank debt securities		
	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model	Yield curve
	Black-Scholes	Volatilities
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model	Yield curve
	Black-Scholes	Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

Fair value of financial assets and liabilities at amortised cost

At 30 September 2016 R'million	Carrying amount	Fair value
Assets		
Cash and balances at central banks	8 101	8 101
Loans and advances to banks	33 546	33 546
Non-sovereign and non-bank cash placements	10 180	10 180
Reverse repurchase agreements and cash collateral on securities borrowed	16 096	16 096
Sovereign debt securities	3 847	3 897
Bank debt securities	3 296	4 413
Other debt securities	1 882	1 896
Loans and advances to customers	201 641	201 802
Own originated loans and advances to customers securitised	9 318	9 318
Other loans and advances	336	336
Other securitised assets	174	174
Other assets	6 059	6 059
	294 476	**295 818**
Liabilities		
Deposits by banks		
Repurchase agreements and cash collateral on securities lent	35 716	36 096
Customer accounts (deposits)	16 643	16 638
Debt securities in issue	281 809	281 827
Liabilities arising on securitisation of own originated loans and advances	5 355	5 423
Liabilities arising on securitisation of other assets	1 638	1 638
Other liabilities	3 602	3 602
Subordinated liabilities	13 032	14 123
	357 795	**359 347**

Operating costs
For the six months to 30 September

R'million	2016	2015
Staff costs	3 143	3 112
Premises expenses (excluding depreciation)	254	228
Equipment expenses (excluding depreciation)	311	271
Business expenses	516	486
Marketing expenses	247	222
Depreciation, amortisation and impairment of property, equipment and intangibles	97	99
	4 568	**4 418**

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

R'million	30 Sept 2016	31 March 2016
Assets		
Reverse repurchase agreements	26 124	33 444
Cash collateral on securities borrowed	8 996	9 873
	35 120	**43 317**
Liabilities		
Repurchase agreements	16 721	16 916
	16 721	**16 916**

Extract of other debt securities

R'million	30 Sept 2016	31 March 2016
Bonds	8 039	10 047
Commercial paper	1 327	1 095
Liquid asset bills	298	298
Asset-based securities	1 193	187
Other investments	635	126
	11 492	**11 753**

Extract of securities arising from trading activities

R'million	30 Sept 2016	31 March 2016
Bonds	679	688
Listed equities	12 641	11 878
	13 320	**12 566**

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

R'million	30 Sept 2016	31 March 2016
Gross loans and advances to customers	217 144	209 630
Impairments of loans and advances to customers	(1 158)	(910)
Specific impairments	(880)	(680)
Portfolio impairments	(278)	(230)
Net loans and advances to customers	**215 986**	**208 720**
Gross other loans and advances to customers	365	398
Impairments of other loans and advances to customers	(29)	(31)
Specific impairments	(6)	(10)
Portfolio impairments	(23)	(21)
Net other loans and advances to customers	**336**	**367**

Extract of securitised assets and liabilities arising on securitisation R'million	30 Sept 2016	31 March 2016
Gross own originated loans and advances to customers securitised	9 324	9 244
Impairments of own originated loans and advances to customers securitised	(6)	(6)
Specific impairments	(1)	(1)
Portfolio impairments	(5)	(5)
Net own originated loans and advances to customers securitised	**9 318**	**9 238**
Total other securitised assets	**174**	**201**

Other assets R'million	30 Sept 2016	31 March 2016
Settlement debtors	3 115	1 790
Dealing properties	2 471	2 322
Prepayments and accruals	615	504
Trading initial margin	1 030	643
Investec Import Solutions debtors	1 607	1 456
Fee debtors	46	33
Other	2 790	2 848
	11 674	**9 596**

Debt securities in issue R'million	30 Sept 2016	31 March 2016
Repayable in:		
Less than three months	927	4 106
Three months to one year	5 281	741
One to five years	2 955	7 571
Greater than five years	133	361
	9 296	**12 779**

Other liabilities R'million	30 Sept 2016	31 March 2016
Settlement liabilities	2 825	3 303
Other creditors and accruals	2 763	2 392
Other non-interest-bearing liabilities	3 621	4 542
	9 209	**10 237**

Extract of perpetual preference share capital R'million	30 Sept 2016	31 March 2016
Perpetual preference share capital	*	*
Perpetual preference share premium	3 183	3 183
	3 183	**3 183**

* *Less than R1 million.*

Extract of deferred taxation R'million	30 Sept 2016	31 March 2016
Losses carried forward	123	114
	123	**114**

Extract of subordinated liabilities R'million	30 Sept 2016	31 March 2016
Remaining maturities:		
In one year or less, or on demand	3 638	–
In more than one year, but not more than two years	400	–
In more than two years, but not more than five years	2 250	400
In more than five years	6 743	10 957
	13 031	**11 357**

Offsetting

At 30 September 2016	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
Assets					
Cash and balances at central banks	8 101	–	8 101	–	8 101
Loans and advances to banks	42 541	(8 232)	34 309	–	34 309
Non-sovereign and non-bank cash placements	10 218	–	10 218	–	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	35 120	–	35 120	(921)	34 199
Sovereign debt securities	47 800	–	47 800	(1 376)	46 424
Bank debt securities	8 294	–	8 294	(2 928)	5 366
Other debt securities	11 492	–	11 492	(4 530)	6 962
Derivative financial instruments	16 073	(4 268)	11 805	(4 228)	7 577
Securities arising from trading activities	13 320	–	13 320	(55)	13 265
Investment portfolio	5 261	–	5 261	–	5 261
Loans and advances to customers	217 901	(1 915)	215 986	–	215 986
Own originated loans and advances to customers securitised	9 318	–	9 318	–	9 318
Other loans and advances	336	–	336	–	336
Other securitised assets	174	–	174	–	174
Other assets	11 674	–	11 674	(726)	10 948
	437 623	**(14 415)**	**423 208**	**(14 764)**	**408 444**
Liabilities					
Deposits by banks	37 034	(1 318)	35 716	–	35 716
Derivative financial instruments	23 079	(11 182)	11 897	(4 228)	7 669
Other trading liabilities	15 215	–	15 215	–	15 215
Repurchase agreements and cash collateral on securities lent	16 721	–	16 721	(8 889)	7 832
Customer accounts (deposits)	292 884	(1 915)	290 969	–	290 969
Debt securities in issue	9 296	–	9 296	–	9 296
Liabilities arising on securitisation of own originated loans and advances	1 638	–	1 638	–	1 638
Other liabilities	9 209	–	9 209	(1 647)	7 562
Subordinated liabilities	13 032	–	13 032	–	13 032
	418 108	**(14 415)**	**403 693**	**(14 764)**	**388 929**

At 31 March 2016 R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
Assets					
Cash and balances at central banks	7 801	–	7 801	–	7 801
Loans and advances to banks	42 852	(13 369)	29 483	–	29 483
Non-sovereign and non-bank cash placements	9 858	–	9 858	–	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	43 317	–	43 317	(1 275)	42 042
Sovereign debt securities	41 325	–	41 325	–	41 325
Bank debt securities	15 117	–	15 117	(6 947)	8 170
Other debt securities	11 753	–	11 753	(9 178)	2 575
Derivative financial instruments	19 643	(3 804)	15 839	(7 540)	8 299
Securities arising from trading activities	12 566	–	12 566	(325)	12 241
Investment portfolio	4 683	–	4 683	–	4 683
Loans and advances to customers	210 127	(1 407)	208 720	–	208 720
Own originated loans and advances to customers securitised	9 238	–	9 238	–	9 238
Other loans and advances	367	–	367	–	367
Other securitised assets	201	–	201	–	201
Other assets	9 596	–	9 596	(234)	9 362
	438 444	**(18 580)**	**419 864**	**(25 499)**	**394 365**
Liabilities					
Deposits by banks	41 601	(1 538)	40 063	–	40 063
Derivative financial instruments	29 059	(15 635)	13 424	(7 540)	5 884
Other trading liabilities	15 441	–	15 441	–	15 441
Repurchase agreements and cash collateral on securities lent	16 916	–	16 916	(16 174)	742
Customer accounts (deposits)	281 227	(1 407)	279 820	–	279 820
Debt securities in issue	12 779	–	12 779	–	12 779
Liabilities arising on securitisation of own originated loans and advances	1 810	–	1 810	–	1 810
Other liabilities	10 237	–	10 237	(1 785)	8 452
Subordinated liabilities	11 357	–	11 357	–	11 357
	420 427	**(18 580)**	**401 847**	**(25 499)**	**376 348**

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

R'million	30 Sept^ 2016	31 March^ 2016
Tier 1 capital		
Shareholders' equity	30 274	28 444
Shareholders' equity per balance sheet	33 457	31 627
Perpetual preference share capital and share premium	(3 183)	(3 183)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	8 333	8 140
Non-controlling interests excluded for regulatory purposes	(8 333)	(8 140)
Regulatory adjustments to the accounting basis	1 470	1 842
Cash flow hedging reserve	1 470	1 842
Deductions	(754)	(762)
Goodwill and intangible assets net of deferred taxation	(754)	(762)
Common equity tier 1 capital	**30 990**	**29 524**
Additional tier 1 capital	**3 401**	**3 418**
Additional tier 1 instruments	5 267	5 267
Phase out of non-qualifying additional tier 1 instruments	(1 887)	(1 887)
Non-qualifying surplus capital attributable to non-controlling interests	(56)	(36)
Non-controlling interest in non-banking entities	77	74
Tier 1 capital	**34 391**	**32 942**
Tier 2 capital	**11 368**	**10 253**
Collective impairment allowances	278	229
Tier 2 instruments	13 032	11 357
Phase out of non-qualifying tier 2 instruments	(163)	(235)
Non-qualifying surplus capital attributable to non-controlling interests	(1 779)	(1 098)
Total regulatory capital	**45 759**	**43 195**
Risk-weighted assets	**317 734**	**309 052**
Capital ratios		
Common equity tier 1 ratio	9.8%	9.6%
Tier 1 ratio	10.8%	10.7%
Total capital adequacy ratio	14.4%	14.0%
Leverage ratio	7.3%	6.9%

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity ratio would be 16bps lower (March 2016: 16bps lower).*

CAPITAL REQUIREMENTS

R'million	30 Sept 2016	31 March 2016
Capital requirements	**32 964**	**32 064**
Credit risk – prescribed standardised exposure classes	24 392	23 978
Corporates	12 519	13 402
Secured on real estate property	2 744	2 943
Short-term claims on institutions and corporates	1 199	4 905
Retail	530	483
Institutions	537	813
Other exposure classes	1 725	1 028
Securitisation exposures	218	404
Equity risk	4 516	4 104
Listed equities	398	334
Unlisted equities	4 118	3 770
Counterparty credit risk	472	569
Credit valuation adjustment risk	198	185
Market risk	502	501
Interest rate	86	66
Foreign exchange	116	212
Commodities	4	5
Equities	296	218
Operational risk – standardised approach	2 884	2 727
Risk-weighted assets	**317 734**	**309 052**
Credit risk – prescribed standardised exposure classes	235 106	231 113
Corporates	120 669	129 178
Secured on real estate property	26 450	28 361
Short-term claims on institutions and corporates	58 978	47 273
Retail	5 108	4 660
Institutions	5 172	7 838
Other exposure classes	16 626	9 910
Securitisation exposures	2 103	3 893
Equity risk	43 530	39 560
Listed equities	3 836	3 219
Unlisted equities	39 694	36 341
Counterparty credit risk	4 548	5 486
Credit valuation adjustment risk	1 912	1 783
Market risk	4 839	4 825
Interest rate	831	636
Foreign exchange	1 117	2 039
Commodities	35	46
Equities	2 856	2 104
Operational risk – standardised approach	27 799	26 285

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 2016	31 March 2016
Opening common equity tier 1 capital	**29 524**	**25 831**
New capital issues	717	3 825
Dividends	(1 932)	(2 611)
Profit after taxation	2 884	5 920
Treasury shares	(340)	(1 481)
Gain on transfer of non-controlling interests	–	34
Share-based payment adjustments	280	592
Movement in other comprehensive income	414	46
Goodwill and intangible assets (deduction net of related taxation liability)	8	(471)
Other, including regulatory adjustments and transitional arrangements	(565)	(2 161)
Closing common equity tier 1 capital	30 990	29 524
Opening additional tier 1 capital	3 418	4 584
Other, including regulatory adjustments and transitional arrangements	–	(447)
Movement in minority interest in non-banking entities	(17)	–
Transfer of non-controlling interest in non-banking entities from common equity tier 1	–	(719)
Closing additional tier 1 capital	3 401	3 418
Closing tier 1 capital	34 391	32 942
Opening tier 2 capital	10 253	9 213
New tier 2 capital issues	1 682	1 985
Redeemed capital	(184)	(1 283)
Collective impairment allowances	48	60
Other, including regulatory adjustments and transitional arrangements	(431)	278
Closing tier 2 capital	11 368	10 253
Closing total regulatory capital	45 759	43 195

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

	30 Sept^ 2016	31 March^ 2016
Common equity tier 1 (as reported)	9.8%	9.6%
Common equity tier 1 ("fully loaded")^^	9.8%	9.6%
Tier 1 (as reported)	10.8%	10.7%
Total capital adequacy ratio (as reported)	14.4%	14.0%
Leverage ratio** – permanent capital	7.7%#	7.4%#
Leverage ratio** – current	7.3%#	6.9%#
Leverage ratio** – ("fully loaded")^^	6.7%#	6.3%#

^^ *Based on the group's understanding of current regulations, "fully loaded" is based on Basel III capital requirements as fully phased in by 2022.*
^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from the capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower (March 16: 16bps lower).*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*

SUMMARY COMPARISON OF ACCOUNTING ASSETS VERSUS LEVERAGE RATIO EXPOSURE MEASURE

Line #	R'million	30 Sept 2016	31 March 2016
1	Total consolidated assets as per published financial statements	578 983	568 779
	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	(129 818)	(123 540)
4	Derivative financial instruments	(2 671)	(3 690)
5	Securities financing transactions (i.e. repos and similar secured lending)	(7 639)	389
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	34 322	37 594
7	Other adjustments	(753)	(1 510)
8	Leverage ratio exposure	472 424	478 022

LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Line #	R'million	30 Sept 2016	31 March 2016
	Leverage ratio framework		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	403 429	390 488
2	Asset amounts deducted in determining Basel III tier 1 capital	(1 941)	(1 510)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**401 488**	**388 978**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7 259	9 075
5	Add-on amounts for PFE associated with all derivatives transactions	2 775	3 073
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	(900)	–
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)**	**9 134**	**12 148**
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	26 090	34 936
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	Counterparty Credit Risk (CCR) exposures for SFT assets	1 391	4 366
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**27 481**	**39 302**
17	Off-balance sheet exposure at gross notional amount	84 693	88 745
18	Adjustments for conversion to credit equivalent amounts	(50 372)	(51 151)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**34 321**	**37 594**
20	Tier 1 capital	34 391	32 942
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**472 424**	**478 022**
22	**Basel III leverage ratio**	**7.3%**	**6.9%**

Risk management

Credit and counterparty risk management

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

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

• Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions

• Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received

• Trading transactions giving rise to settlement and replacement risk (collectively counterparty risk):

- Settlement risk is the risk that the settlement of a transaction does not take place as expected. Our definition of a settlement debtor is a short-term receivable (i.e. less than five days) which is excluded from credit and counterparty risk due to market guaranteed settlement mechanisms

- Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

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

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

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

• Preference is to have exposure only to politically stable jurisdictions that we understandand have preferably operated in before

• There is no speific appetite for exposures outside of the group's pre-existing core geographies or product markets

• The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance

• In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic

While we do not have a seperate country risk committee, the local and global credit committees as well as the investment committees and ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee, global investment committee or ERRF is responsible for approving country limits that are not within the mandate of local group credit committees.

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 1.5% to R460.6 billion largely as a result of an increase in core loans and advances. Cash and near cash balances amounted to R123.9 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, sovereign debt securities.

R'million	30 Sept 2016	31 March 2016	% change	Average*
Cash and balances at central banks	8 101	7 801	3.8%	7 951
Loans and advances to banks	34 309	29 483	16.4%	31 896
Non-sovereign and non-bank cash placements	10 218	9 858	3.7%	10 038
Reverse repurchase agreements and cash collateral on securities borrowed	35 120	43 317	(18.9%)	39 219
Sovereign debt securities	47 800	41 325	15.7%	44 563
Bank debt securities	8 294	15 117	(45.1%)	11 706
Other debt securities	11 492	11 753	(2.2%)	11 623
Derivative financial instruments	7 070	10 756	(34.3%)	8 913
Securities arising from trading activities	677	539	25.6%	608
Loans and advances to customers (gross)	217 144	209 630	3.6%	213 387
Own originated loans and advances to customers securitised (gross)	9 324	9 244	0.9%	9 284
Other loans and advances (gross)	365	398	(8.3%)	382
Other assets	2 592	2 169	19.5%	2 381
Total on-balance sheet exposures	**392 506**	**391 390**	**0.3%**	**391 948**
Guarantees ^	16 253	15 936	2.0%	16 095
Contingent liabilities, committed facilities and other	51 848	46 612	11.2%	49 230
Total off-balance sheet exposures	**68 101**	**62 548**	**8.9%**	**65 325**
Total gross credit and counterparty exposures pre - collateral or other credit enhancements	**460 607**	**453 938**	**1.5%**	**457 273**

* Where the average is based on a straight-line average for period 1 April 2016 to 30 September 2016.

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

Risk management

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 2016				
Cash and balances at central banks	8 101	-		8 101
Loans and advances to banks	34 309	-		34 309
Non-sovereign and non-bank cash placements	10 218	-		10 218
Reverse repurchase agreements and cash collateral on securities borrowed	35 120	-		35 120
Sovereign debt securities	47 800	-		47 800
Bank debt securities	8 294	-		8 294
Other debt securities	11 492	-		11 492
Derivative financial instruments	7 070	4 735		11 805
Securities arising from trading activities	677	12 643		13 320
Investment portfolio	-	5 261	1	5 261
Loans and advances to customers	217 144	(1 158)	2	215 986
Own originated loans and advances to customers securitised	9 324	(6)	2	9 318
Other loans and advances	365	(29)	2	336
Other securitised assets	-	174	3	174
Interest in associated undertakings	-	5 382	1	5 382
Deferred taxation assets	-	480		480
Other assets	2 592	9 082	4	11 674
Property and equipment	-	726		726
Investment properties	-	18 118		18 118
Goodwill	-	233		233
Intangible assets	-	521		521
Non-current assets classified as held for sale	-	497		497
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	-	129 818		129 818
Total on-balance sheet exposures	**392 506**	**186 477**		**578 983**
At 31 March 2016				
Cash and balances at central banks	7 801	-		7 801
Loans and advances to banks	29 483	-		29 483
Non-sovereign and non-bank cash placements	9 858	-		9 858
Reverse repurchase agreements and cash collateral on securities borrowed	43 317	-		43 317
Sovereign debt securities	41 325	-		41 325
Bank debt securities	15 117	-		15 117
Other debt securities	11 753	-		11 753
Derivative financial instruments	10 756	5 083		15 839
Securities arising from trading activities	539	12 027		12 566
Investment portfolio	-	4 683	1	4 683
Loans and advances to customers	209 630	(910)	2	208 720
Own originated loans and advances to customers securitised	9 244	(6)	2	9 238
Other loans and advances	398	(31)	2	367
Other securitised assets	-	201	3	201
Interest in associated undertakings	-	5 145	1	5 145
Deferred taxation assets	-	572		572
Other assets	2 169	7 427	4	9 596
Property and equipment	-	729		729
Investment properties	-	18 167		18 167
Goodwill	-	238		238
Intangible assets	-	524		524
Non-current assets classified as held for sale	-	-		-
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	-	123 540		123 540
Total on-balance sheet exposures	**391 390**	**177 389**		**568 779**

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

Risk management

Gross credit and counterparty exposures by residual contractual maturity at 30 September 2016

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	8 101	-	-	-	-	-	8 101
Loans and advances to banks	32 871	-	36	1 388	14	-	34 309
Non-sovereign and non-bank cash placements	10 218	-	-	-	-	-	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	28 194	2 128	187	3 848	763	-	35 120
Sovereign debt securities	12 602	9 577	9 064	2 111	7 811	6 635	47 800
Bank debt securities	756	908	317	4 624	1 484	205	8 294
Other debt securities	472	-	863	5 049	3 984	1 124	11 492
Derivative financial instruments	2 034	1 023	738	2 423	852	-	7 070
Securities arising from trading activities	38	-	227	196	36	180	677
Loans and advances to customers (gross)	20 262	8 430	14 499	106 398	21 995	45 560	217 144
Own originated loans and advances to customers securitised (gross)	-	-	5	35	383	8 901	9 324
Other loans and advances (gross)	-	-	-	365	-	-	365
Other assets	2 592	-	-	-	-	-	2 592
Total on-balance sheet exposures	**118 140**	**22 066**	**25 936**	**126 437**	**37 322**	**62 605**	**392 506**
Guarantees^	5 866	818	743	8 189	379	258	16 253
Contingent liabilities, committed facilities and other	12 345	1 180	3 635	15 397	2 853	16 438	51 848
Total off-balance sheet exposures	**18 211**	**1 998**	**4 378**	**23 586**	**3 232**	**16 696**	**68 101**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**136 351**	**24 064**	**30 314**	**150 023**	**40 554**	**79 301**	**460 607**

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

Summary of gross credit and counterparty exposure by industry

R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016
High net worth and professional individuals	112 099	104 288	35 261	29 466	147 360	133 754
Lending collateralised by property-largely to private clients	39 211	41 077	6 574	3 107	45 785	44 184
Agriculture	1 830	2 256	730	469	2 560	2 725
Electricity, gas and water (utility services)	4 014	4 809	4 039	2 114	8 053	6 923
Public and non-business services	5 898	6 377	60 925	54 470	66 823	60 847
Business services	11 340	8 908	2 614	1 683	13 954	10 591
Finance and insurance	13 551	11 977	92 946	113 555	106 497	125 532
Retailers and wholesalers	2 316	2 378	7 422	5 315	9 738	7 693
Manufacturing and commerce	8 746	10 128	6 544	4 391	15 290	14 519
Construction	4 101	3 424	720	436	4 821	3 860
Corporate commercial real estate	6 352	6 251	792	787	7 144	7 038
Other residential mortgages	-	-	382	398	382	398
Mining and resources	3 650	4 682	8 814	10 585	12 464	15 267
Leisure, entertainment and tourism	1 309	1 819	356	44	1 665	1 863
Transport	4 383	4 071	2 189	2 845	6 572	6 916
Communication	7 668	6 429	3 831	5 399	11 499	11 828
Total	**226 468**	**218 874**	**234 139**	**235 064**	**460 607**	**453 938**

Private client loans account for 66.8% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals' and 'lending collateralised by property'. A more detailed analysis of the private client loan portfolio is provided further on. The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors. A more detailed analysis of corporate client lending is provided further on.

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 '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.

Detailed analysis of gross credit and counterparty exposure by industry

R'million	High net worth and professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	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	Communica tion	Total
At 30 September 2016																	
Cash and balances at central banks	-	-	-	-	8 101	-	-	-	-	-	-	-	-	-	-	-	8 101
Loans and advances to banks	-	-	-	-	-	-	34 309	-	-	-	-	-	-	-	-	-	34 309
Non-sovereign and non-bank cash placements	-	-	58	-	101	265	1 837	2 546	2 879	262	197	-	1 254	-	589	230	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	610	-	-	-	-	329	33 420	-	722	-	-	-	-	-	39	-	35 120
Sovereign debt securities	-	-	-	-	47 800	-	-	-	-	-	-	-	-	-	-	-	47 800
Bank debt securities	-	-	-	-	-	-	8 294	-	-	-	-	-	-	-	-	-	8 294
Other debt securities	-	-	-	-	2 316	-	2 743	-	1 253	-	-	-	2 484	-	-	2 696	11 492
Derivative financial instruments	-	-	17	449	-	117	5 206	246	167	7	342	-	375	57	30	57	7 070
Securities arising from trading activities	-	-	-	1	501	-	31	-	-	-	-	-	-	-	144	-	677
Loans and advances to customers (gross)	102 775	39 211	1 830	4 014	5 898	11 340	13 551	2 316	8 746	4 101	6 352	-	3 650	1 309	4 383	7 668	217 144
Own originated loans and advances to customers securitised (gross)	9 324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 324
Other loans and advances (gross)	-	-	-	-	-	-	-	-	-	-	-	365	-	-	-	-	365
Other assets	-	-	-	-	-	-	710	1 736	76	13	-	-	-	42	-	15	2 592
Total on-balance sheet exposures	**112 709**	**39 211**	**1 905**	**4 464**	**64 717**	**12 051**	**100 101**	**6 844**	**13 843**	**4 383**	**6 891**	**365**	**7 763**	**1 408**	**5 185**	**10 666**	**392 506**
Guarantees^	4 202	610	179	1 014	1 791	678	3 838	1 028	401	-	126	-	1 758	175	323	130	16 253
Contingent liabilities, committed facilities and other	30 449	5 964	476	2 575	315	1 225	2 558	1 866	1 046	438	127	17	2 943	82	1 064	703	51 848
Total off-balance sheet exposures	**34 651**	**6 574**	**655**	**3 589**	**2 106**	**1 903**	**6 396**	**2 894**	**1 447**	**438**	**253**	**17**	**4 701**	**257**	**1 387**	**833**	**68 101**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**147 360**	**45 785**	**2 560**	**8 053**	**66 823**	**13 954**	**106 497**	**9 738**	**15 290**	**4 821**	**7 144**	**382**	**12 464**	**1 665**	**6 572**	**11 499**	**460 607**

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

Risk management

Detailed analysis of gross credit and counterparty exposure by industry

R'million	High net worth and professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	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	Communica tion	Total
At 31 March 2016																	
Cash and balances at central banks	-	-	-	-	7 801	-	-	-	-	-	-	-	-	-	-	-	7 801
Loans and advances to banks	-	-	-	-	-	-	29 483	-	-	-	-	-	-	-	-	-	29 483
Non-sovereign and non-bank cash placements	-	-	-	-	102	562	3 337	1 781	1 469	211	-	-	1 581	-	312	503	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	623	-	-	-	-	151	41 794	-	675	-	-	-	-	-	74	-	43 317
Sovereign debt securities	-	-	-	-	41 325	-	-	-	-	-	-	-	-	-	-	-	41 325
Bank debt securities	-	-	-	-	-	-	15 117	-	-	-	-	-	-	-	-	-	15 117
Other debt securities	-	-	-	98	2 686	-	2 129	-	658	-	-	-	2 509	-	-	3 673	11 753
Derivative financial instruments	-	-	36	205	-	156	8 876	252	203	-	676	-	159	21	83	89	10 756
Securities arising from trading activities	-	-	-	7	330	-	83	-	16	-	-	-	-	-	103	-	539
Loans and advances to customers (gross)	95 044	41 077	2 256	4 809	6 377	8 908	11 977	2 378	10 128	3 424	6 251	-	4 682	1 819	4 071	6 429	209 630
Own originated loans and advances to customers securitised (gross)	9 244	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 244
Other loans and advances (gross)	-	-	-	-	-	-	-	-	-	-	-	398	-	-	-	-	398
Other assets	-	-	1	-	-	2	484	1 556	92	3	-	-	-	20	-	11	2 169
Total on-balance sheet exposures	**104 911**	**41 077**	**2 293**	**5 119**	**58 621**	**9 779**	**113 280**	**5 967**	**13 241**	**3 638**	**6 927**	**398**	**8 931**	**1 860**	**4 643**	**10 705**	**391 390**
Guarantees^	3 545	842	-	990	1 917	30	6 328	62	136	-	11	-	1 822	-	65	188	15 936
Contingent liabilities, committed facilities and other	25 298	2 265	432	814	309	782	5 924	1 664	1 142	222	100	-	4 514	3	2 208	935	46 612
Total off-balance sheet exposures	**28 843**	**3 107**	**432**	**1 804**	**2 226**	**812**	**12 252**	**1 726**	**1 278**	**222**	**111**	**-**	**6 336**	**3**	**2 273**	**1 123**	**62 548**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**133 754**	**44 184**	**2 725**	**6 923**	**60 847**	**10 591**	**125 532**	**7 693**	**14 519**	**3 860**	**7 038**	**398**	**15 267**	**1 863**	**6 916**	**11 828**	**453 938**

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

Risk management

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

Core loans and advances comprise :

R'million	30 Sept 2016	31 March 2016
Loans and advances to customers as per the balance sheet	215 986	208 720
Add: own originated loans and advances to customers securitised as per the balance sheet	9 318	9 238
Net core loans and advances to customers	**225 304**	**217 958**

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

R'million	30 Sept 2016	31 March 2016
Gross core loans and advances to customers	**226 468**	**218 874**
Total impairments	**(1 164)**	**(916)**
Specific impairments	(881)	(681)
Portfolio impairments	(283)	(235)
Net core loans and advances to customers	**225 304**	**217 958**
Average gross core loans and advances to customers	**222 671**	**201 038**
Current loans and advances to customers	219 618	214 511
Past due loans and advances to customers (1-60 days)	931	734
Special mention loans and advances to customers	1 975	415
Default loans and advances to customers	3 944	3 214
Gross core loans and advances to customers	**226 468**	**218 874**
Current loans and advances to customers	219 618	214 511
Default loans that are current and not impaired	569	867
Gross core loans and advances to customers that are past due but not impaired	3 771	1 664
Gross core loans and advances to customers that are impaired	2 510	1 832
Gross core loans and advances to customers	**226 468**	**218 874**
Total income statement charge for impairments on core loans and advances	**(328)**	**(526)**
Gross default loans and advances to customers	3 944	3 214
Specific impairments	(881)	(681)
Portfolio impairments	(283)	(235)
Defaults net of impairments	**2 780**	**2 298**
Aggregate collateral and other credit enhancements on defaults	4 600	3 700
Net default loans and advances to customers (limited to zero)	**-**	**-**
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.51%	0.42%
Total impairments as a % of gross default loans	29.51%	28.50%
Gross defaults as a % of gross core loans and advances to customers	1.74%	1.47%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.23%	1.05%
Net defaults as a % of net core loans and advances to customers	-	-
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.29%	0.26%

Risk management

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

R'million	30 Sept 2016	31 March 2016
Default loans that are current	2 038	1 922
1 - 60 days	1 542	1 281
61 - 90 days	1 814	94
91 - 180 days	741	304
181 - 365 days	288	110
> 365 days	427	652
Past due and default core loans and advances to customers (actual capital exposure)	**6 850**	**4 363**
1 - 60 days	155	258
61 - 90 days	124	12
91 - 180 days	617	125
181 - 365 days	209	30
> 365 days	245	337
Past due and default core loans and advances to customers (actual amount in arrears)	**1 350**	**762**

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 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	569	-	-	-	-	-	569
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	1 237	1 761	642	57	74	3 771
Amount in arrears	-	143	89	584	33	38	887
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 469	305	53	99	231	353	2 510
Amount in arrears	-	12	35	33	176	207	463
At 31 March 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	867	-	-	-	-	-	867
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	1 125	70	216	68	185	1 664
Amount in arrears	-	254	6	104	14	140	518
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 055	156	24	88	42	467	1 832
Amount in arrears	-	4	6	21	16	197	244

Risk management

An age analysis of past due and default core loans and advances to customers at 30 September 2016 (based on total capital exposure)

R'million	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	**-**	**931**	**-**	**-**	**-**	**-**	**931**
Special mention	**-**	**223**	**1 739**	**10**	**2**	**1**	**1 975**
Special mention (1 - 90 days)	-	223	1 614	10*	2*	1*	1 850
Special mention (61 - 90 days and item well secured)	-	-	125	-	-	-	125
Default	**2 038**	**388**	**75**	**731**	**286**	**426**	**3 944**
Sub-standard	569	85	22	630	55	73	1 434
Doubtful	1 469	303	53	101	231	353	2 510
Total	**2 038**	**1 542**	**1 814**	**741**	**288**	**427**	**6 850**

An age analysis of past due and default core loans and advances to customers at 30 September 2016 (based on actual amount in arrears)

R'million	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	**-**	**135**	**-**	**-**	**-**	**-**	**135**
Special mention	**-**	**3**	**84**	**8**	**-**	**-**	**95**
Special mention (1 - 90 days)	-	3	-	8*	-	-	11
Special mention (61 - 90 days and item well secured)	-	-	84	-	-	-	84
Default	**-**	**17**	**40**	**609**	**209**	**245**	**1 120**
Sub-standard	-	6	5	577	32	38	658
Doubtful	-	11	35	32	177	207	462
Total	**-**	**155**	**124**	**617**	**209**	**245**	**1 350**

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

R'million	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	**-**	**734**	**-**	**-**	**-**	**-**	**734**
Special mention	**-**	**323**	**64**	**14**	**10**	**4**	**415**
Special mention (1 - 90 days)	-	323	9	14*	10*	4*	360
Special mention (61 - 90 days and item well secured)	-	-	55	-	-	-	55
Default	**1 922**	**224**	**30**	**290**	**100**	**648**	**3 214**
Sub-standard	868	66	6	203	58	181	1 382
Doubtful	1 054	158	24	87	42	467	1 832
Total	**1 922**	**1 281**	**94**	**304**	**110**	**652**	**4 363**

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

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

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

Risk management

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 2016								
Current core loans and advances	**219 618**	**-**	**-**	**219 618**	**-**	**(270)**	**219 348**	**-**
Past due (1-60 days)	**-**	**931**	**-**	**931**	**-**	**(4)**	**927**	**135**
Special mention	**-**	**1 975**	**-**	**1 975**	**-**	**(3)**	**1 972**	**95**
Special mention (1 - 90 days)	-	1 850	-	1 850	-	(2)	1 848	11
Special mention (61 - 90 days and item well secured)	-	125	-	125	-	(1)	124	84
Default	**569**	**865**	**2 510**	**3 944**	**(881)**	**(6)**	**3 057**	**1 120**
Sub-standard	569	865	-	1 434	-	(6)	1 428	658
Doubtful	-	-	2 510	2 510	(881)	-	1 629	462
Total	**220 187**	**3 771**	**2 510**	**226 468**	**(881)**	**(283)**	**225 304**	**1 350**
At 31 March 2016								
Current core loans and advances	**214 511**	**-**	**-**	**214 511**	**-**	**(231)**	**214 280**	**-**
Past due (1-60 days)	**-**	**734**	**-**	**734**	**-**	**(3)**	**731**	**59**
Special mention	**-**	**415**	**-**	**415**	**-**	**(1)**	**414**	**165**
Special mention (1 - 90 days)	-	360	-	360	-	(1)	359	160
Special mention (61 - 90 days and item well secured)	-	55	-	55	-	-	55	5
Default	**867**	**515**	**1 832**	**3 214**	**(681)**	**-**	**2 533**	**538**
Sub-standard	867	515	-	1 382	-	-	1 382	293
Doubtful	-	-	1 832	1 832	(681)	-	1 151	245
Total	**215 378**	**1 664**	**1 832**	**218 874**	**(681)**	**(235)**	**217 958**	**762**

Risk management

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

R'million	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2016						
Current core loans and advances	**147 544**	**49 394**	**13 551**	**5 759**	**3 370**	**219 618**
Past due (1 - 60 days)	**673**	**152**	**-**	**-**	**106**	**931**
Special mention	**295**	**66**	**-**	**-**	**1 614**	**1 975**
Special mention (1 - 90 days)	172	66	-	-	1 612	1 850
Special mention (61 - 90 days and item well secured)	123	-	-	-	2	125
Default	**2 798**	**810**	**-**	**139**	**197**	**3 944**
Sub-standard	1 160	274	-	-	-	1 434
Doubtful	1 638	536	-	139	197	2 510
Total gross core loans and advances to customers	**151 310**	**50 422**	**13 551**	**5 898**	**5 287**	**226 468**
Total impairments	**(669)**	**(280)**	**(15)**	**(61)**	**(139)**	**(1 164)**
Specific impairments	(439)	(243)	-	(60)	(139)	(881)
Portfolio impairments	(230)	(37)	(15)	(1)	-	(283)
Net core loans and advances to customers	**150 641**	**50 142**	**13 536**	**5 837**	**5 148**	**225 304**
At 31 March 2016						
Current core loans and advances	**141 931**	**49 350**	**11 925**	**6 363**	**4 942**	**214 511**
Past due (1 - 60 days)	**554**	**100**	**-**	**-**	**80**	**734**
Special mention	**402**	**-**	**-**	**-**	**13**	**415**
Special mention (1 - 90 days)	360	-	-	-	-	360
Special mention (61 - 90 days and item well secured)	42	-	-	-	13	55
Default	**2 478**	**505**	**52**	**14**	**165**	**3 214**
Sub-standard	1 313	-	52	14	3	1 382
Doubtful	1 165	505	-	-	162	1 832
Total gross core loans and advances to customers	**145 365**	**49 955**	**11 977**	**6 377**	**5 200**	**218 874**
Total impairments	**(495)**	**(270)**	**(4)**	**(4)**	**(143)**	**(916)**
Specific impairments	(306)	(232)	-	-	(143)	(681)
Portfolio impairments	(189)	(38)	(4)	(4)	-	(235)
Net core loans and advances to customers	**144 870**	**49 685**	**11 973**	**6 373**	**5 057**	**217 958**

Risk management

An analysis of core loans and advances by risk category at 30 September 2016

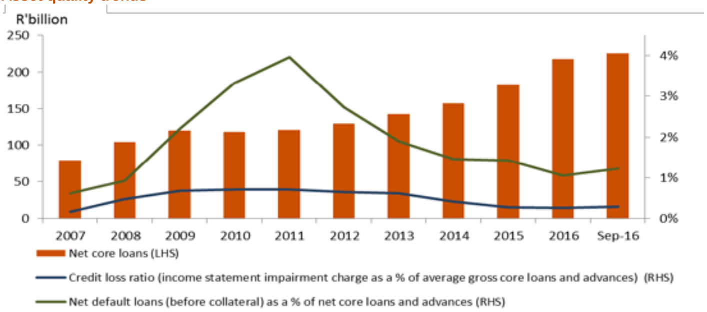
R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**39 211**	**1 129**	**1 358**	**(267)**	**(87)**
Commercial real estate	**36 257**	**707**	**900**	**(228)**	**(86)**
Commercial real estate - investment	32 371	600	747	(186)	(92)
Commercial real estate - development	2 516	-	-	(11)	6
Commercial vacant land and planning	1 370	107	153	(31)	-
Residential real estate	**2 954**	**422**	**458**	**(39)**	**(1)**
Residential real estate - development	1 562	338	375	(12)	(2)
Residential vacant land and planning	1 392	84	83	(27)	1
High net worth and other private client lending	**112 099**	**1 669**	**2 316**	**(402)**	**(115)**
Mortgages	58 955	664	937	(102)	(22)
High net worth and specialised lending	53 144	1 005	1 379	(300)	(93)
Corporate other lending	**75 158**	**1 146**	**926**	**(495)**	**(126)**
Acquisition finance	12 287	211	200	(44)	37
Asset-based lending	5 298	197	110	(139)	(22)
Fund finance	4 078	-	-	(9)	(10)
Other corporates and financial institutions and governments	42 197	267	139	(98)	(71)
Asset finance	4 516	226	382	(15)	(11)
Small ticket asset finance	1 699	-	-	-	-
Large ticket asset finance	2 817	226	382	(15)	(11)
Project finance	6 342	-	-	(4)	1
Resource finance	440	245	95	(186)	(50)
Total	**226 468**	**3 944**	**4 600**	**(1 164)**	**(328)**

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**41 077**	**971**	**1 156**	**(205)**	**(80)**
Commercial real estate	**37 677**	**501**	**666**	**(140)**	**(70)**
Commercial real estate - investment	34 179	366	482	(97)	(40)
Commercial real estate - development	2 385	31	24	(19)	(8)
Commercial vacant land and planning	1 113	104	160	(24)	(22)
Residential real estate	**3 400**	**470**	**490**	**(65)**	**(10)**
Residential real estate - development	1 668	194	217	(14)	(71)
Residential vacant land and planning	1 732	276	273	(51)	61
High net worth and other private client lending	**104 288**	**1 507**	**2 177**	**(290)**	**(286)**
Mortgages	55 763	502	849	(80)	(48)
High net worth and specialised lending	48 525	1 005	1 328	(210)	(238)
Corporate and other lending	**73 509**	**736**	**367**	**(421)**	**(160)**
Acquisition finance	14 664	329	286	(70)	(98)
Asset-based lending	5 211	165	56	(143)	(51)
Fund finance	3 668	-	-	(9)	(9)
Other corporate and financial institutions and governments	38 954	106	25	(51)	(10)
Asset finance	4 081	-	-	(12)	21
Small ticket asset finance	1 421	-	-	-	13
Large ticket asset finance	2 660	-	-	(12)	8
Project finance	6 424	-	-	-	123
Resource finance	507	136	-	(136)	(136)
Total	**218 874**	**3 214**	**3 700**	**(916)**	**(526)**

^ Where a positive number represents a recovery.

Asset quality trends



Risk management

Collateral

A summary of total collateral is provided in the table below

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 30 September 2016			
Eligible financial collateral	**62 794**	**20 620**	**83 414**
Listed shares	61 133	8 756	69 889
Cash	1 661	2	1 663
Debt securities issued by sovereigns	-	11 862	11 862
Property charge	**288 557**	**627**	**289 184**
Residential property	140 942	532	141 474
Commercial property developments	9 977	95	10 072
Commercial property investments	137 638	-	137 638
Other collateral	**58 034**	**78**	**58 112**
Unlisted shares	7 851	-	7 851
Charges other than property	12 874	-	12 874
Debtors, stock and other corporate assets	6 947	-	6 947
Guarantees	21 816	19	21 835
Other	8 546	59	8 605
Total collateral	**409 385**	**21 325**	**430 710**
At 31 March 2016			
Eligible financial collateral	**51 748**	**24 555**	**76 303**
Listed shares	50 769	7 905	58 674
Cash	979	22	1 001
Debt securities issued by sovereigns	-	16 628	16 628
Property charge	**283 954**	**587**	**284 541**
Residential property	143 882	482	144 364
Commercial property developments	12 078	105	12 183
Commercial property investments	127 994	-	127 994
Other collateral	**54 733**	**1 354**	**56 087**
Unlisted shares	8 093	-	8 093
Charges other than property	10 940	-	10 940
Debtors, stock and other corporate assets	5 703	-	5 703
Guarantees	20 737	35	20 772
Other	9 260	1 319	10 579
Total collateral	**390 435**	**26 496**	**416 931**

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

Risk management

Investment risk in the banking book

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

• **Principal Investments:** investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on the IPO of one of our investments. Additionally listed investments may be considered where we believe that the market is mispricing the value of the underlying security or where there is an opportunity to stimulate corporate activity. A material portion of the principal investments have been transferred to a new vehicle, Investec Equity Partners (IEP) on 11 January 2016. Investec Bank Limited holds a 45% stake alongisde other strategic investors who hold the remaining 55% in IEP. The investement in IEP will be reflected as an investement in an associate. We continue to pursue opportunities to help create and grow black-owned and controlled companies

• **Lending transactions:** the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies

• **Property activities:** We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters

• **Central Funding:** Central Funding is the custodian of certain equity and property investments.

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

	Income/(loss) (pre funding costs)					
R'million	**Unrealised°**	**Realised°**	**Dividends**	**Other**	**Total**	**Fair value through equity**
For the six months to 30 September 2016						
Unlisted investments	(283)	39	110	-	(134)	(2)
Listed equities	90	-	48	-	138	(14)
Investment and trading properties^	(53)	60	-	-	7	-
Warrants, profit shares and other embedded derivatives	11	96	-	-	107	-
IEP**	-	-	-	169	169	-
Total	**(235)**	**195**	**158**	**169**	**287**	**(16)**
For the year ended 31 March 2016						
Unlisted investments	(3 839)	4 951	190	-	1 302	(2)
Listed equities	188	26	77	-	291	(12)
Investment and trading properties^	520	199	-	-	719	-
Warrants, profit shares and other embedded derivatives	(56)	274	-	-	218	-
IEP	-	-	-	-	-	
Total	**(3 187)**	**5 450**	**267**	**-**	**2 530**	**(14)**

^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6% (March 2016: 28.6%). It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.

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

***As explained above*

Risk management

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 2016	Valuation change stress test 30 Sept 2016*	On-balance sheet value of investments 31 March 2016	Valuation change stress test 31 March 2016*
Unlisted investments **	3 731	560	2 890	433
Listed equities	2 027	507	1 793	448
Investment and trading properties^^	9 245	1 172	9 133	1 113
Warrants, profit shares and other embedded derivatives	250	88	237	83
Investment in associate (IEP) °°	5 279	792	5 086	763
Total	**20 532**	**3 119**	**19 139**	**2 840**

** Includes the investment portfolio and non-current assets classified as held-for-sale as per the balance sheet.

^^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6% at September 2016 and 28.6% at March 2016.

°° As explained on previous page

* In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress testing parameters are applied:

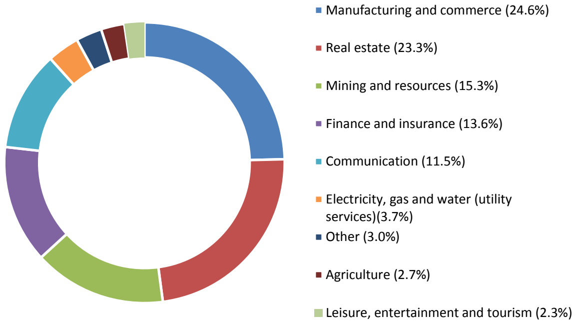
Stress test values applied	
Unlisted investments and IEP	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

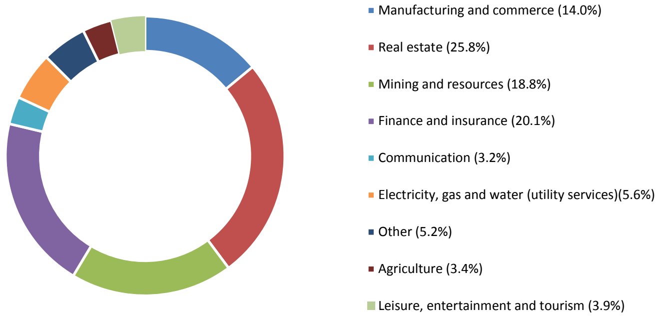
Based on the information at 30 September 2016, as reflected above we could have a R3.1 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss but could have a significantly 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 2016 (R6.0 billion)



31 March 2016 (R4.9 billion)



Risk management

Securitisation/structured credit activities exposures

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

The 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 changes in the securitisation market.

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

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

Furthermore, we are sponsor to and provide a standby liquidity facility to Private Mortgages 1. This facility, which totalled R1million at 30 September 2016 (31 March 2016: R15 million), has not been drawn on and is thus reflected as off-balance sheet contingent exposures in terms of our credit analysis.

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been South African RMBS, which totalled R1.1 billion at 30 September 2016. These investments are risk weighted for regulatory capital purposes.

In addition, we have own originated, securitised assets in our Private Client business in South Africa. The primary motivations for the securitisation of assets within our Private Client division are to:
• Provide an alternative source of funding
• Act as a mechanism to transfer risk
• Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Client division amount to R9.3 billion (March 2016: R9.2 billion) and consist of residential mortages (R9.3 billion). Within these securitisation vehicle loans greater than 90 days in arrears amounted to R6.6 million.

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 at 30 Sept 2016 R'million	Exposure at 31 March 2016 R'million	Balance sheet and credit risk classification	Asset quality - relevant comments
Structured credit (gross exposure)*	1 654	772	Other debt securities	
Rated	635	772		
Unrated	1 019	-		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) (net exposure)	336	367	Other loans and advances	
Private client division assets which have been securitised	9 318	9 238	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances
Liquidity facilities provided to third party corporate securitisation vehicles	1	15	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank	

* Analysis of rated and unrated structured credit

	30 September 2016			31 March 2016		
R'million	Rated**	Unrated	Total	Rated**	Unrated	Total
UK and European RMBS	531	-	531	646	-	646
Australian RMBS	104	-	104	126	-	126
South African RMBS	-	1 019	1 019	-	-	-
Total	**635**	**1 019**	**635**	**772**	**-**	**772**

**A further analysis of rated structured credit at 30 September 2016

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
UK and European RMBS	-	-	378	-	153	-	-	**531**
Australian RMBS	-	104	-	-	-	-	-	**104**
Total at 30 September 2016	**-**	**104**	**378**	**-**	**153**	**-**	**-**	**635**
Total at 31 March 2016	**-**	**126**	**458**	**-**	**-**	**188**	**-**	**772**

Risk management

Market risk in the trading book

Traded Market Risk description

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

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

Traded Market Risk governance structure

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

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

Management and measurement of traded market risk

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

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

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

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

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, the backtesting exception is considered to have occurred. Over time we expect the average rate of observed back testing exceptions to be conistent with the percentile of the VaR statistic being tested.

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

The table below contains the 95% one-day VaR figures for the trading businesses and the graphs that follow show the result of backtesting the total daily 99% one-day VaR against profit and loss figures for our trading activities over the reporting period. Based on the graphs, we can gauge the accuracy of the VaR figures, i.e. 99% of the time, the total trading activities are not expected to lose more than the 99% one-day VaR.

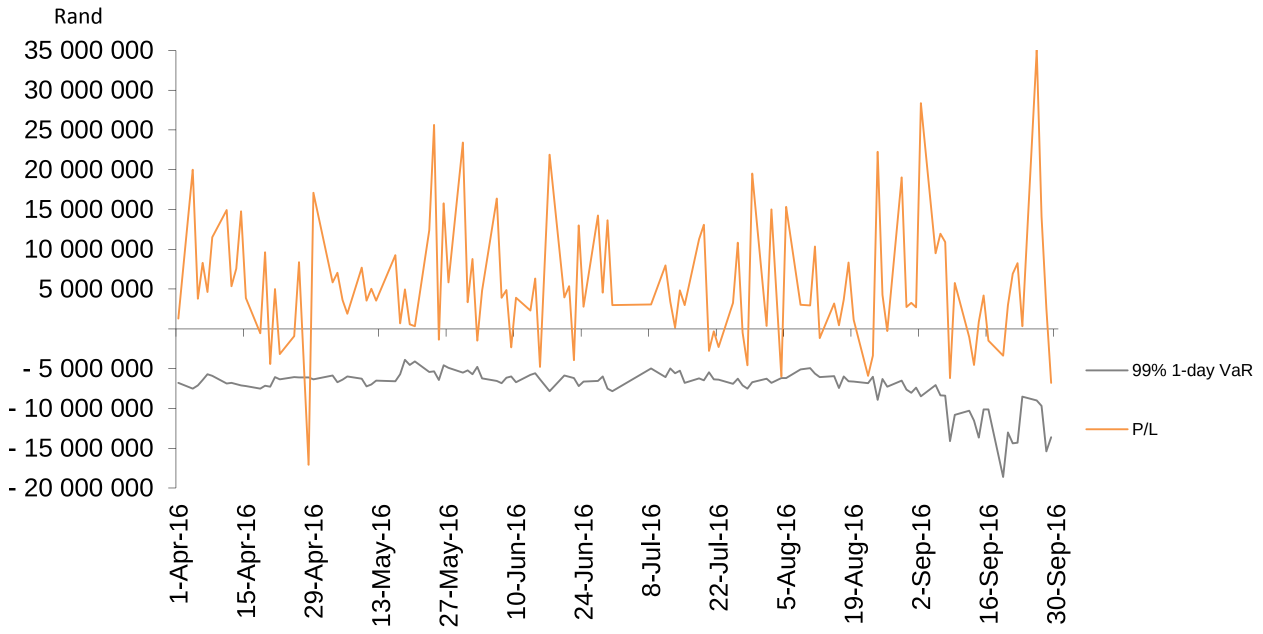
VaR

	30 September 2016				31 March 2016			
R'million	**Period end**	**Average**	**High**	**Low**	**Year end**	**Average**	**High**	**Low**
(using 95% VaR)								
Commodities	0.5	0.1	0.5	-	0.1	0.1	0.2	-
Equities	7.1	3.4	22.8	1.9	2.6	2.3	5.8	1.2
Foreign exchange	1.5	1.7	5.3	1.0	3.0	2.6	6.4	1.2
Interest rates	1.4	1.4	2.6	0.6	1.1	1.2	3.0	0.5
Consolidated*	**6.8**	**3.9**	**21.8**	**2.1**	**4.8**	**3.9**	**8.5**	**1.8**

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

99% one-day VaR backtesting

Average VaR for the six months to 30 September 2016 in the South African trading book was unchanged as compared to the average as at 31 March 2016. The increase in VaR on the equities desk was offset by a decrease in VaR on the foreign exchange desk. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception (as shown in the graph below). This is not a significant deviation from the expected number of exceptions at the 99% level. The exception was due to normal trading losses.



Risk management

ETL 95% (ONE DAY)

R'million	30 Sept 2016	31 March 2016
Commodities	0.7	0.2
Equities	11.2	6.2
Foreign exchange	2.2	4.4
Interest rates	2.3	1.7
Consolidated*	**11.0**	**8.4**

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

Stress testing

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

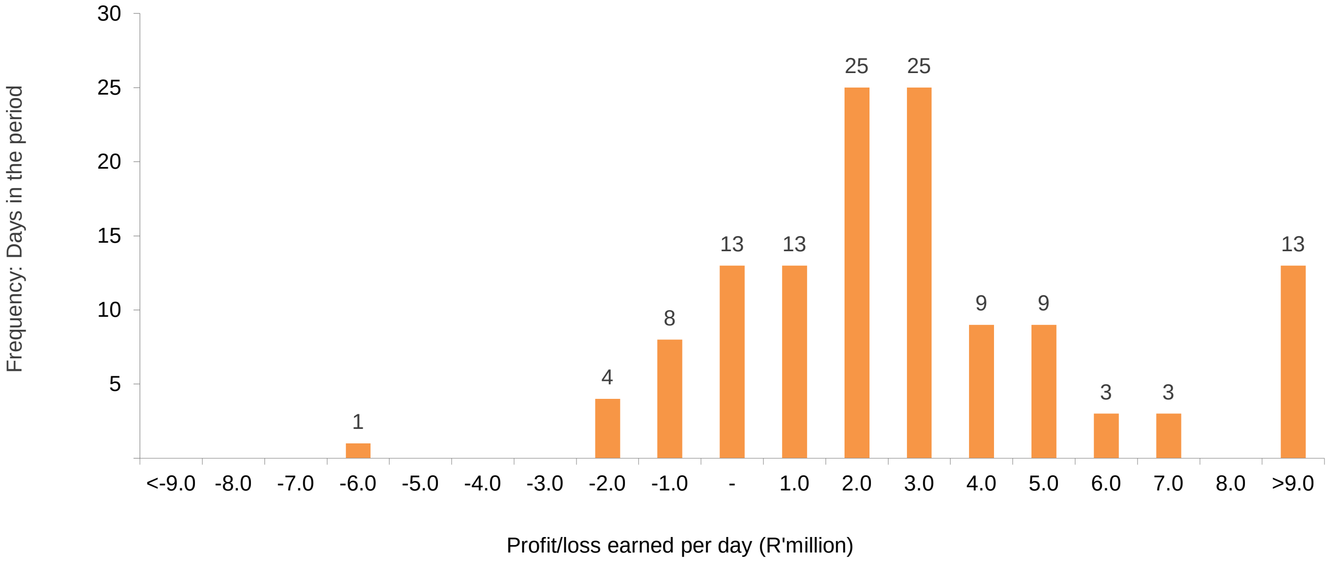
	30 September 2016				31 March 2016
R'million	**Period end**	**Average**	**High**	**Low**	**Year end**
(using 99% EVT)					
Commodities	2.2	0.3	2.2	0.1	0.4
Equities	37.4	40.9	90.9	23.6	48.3
Foreign exchange	6.4	7.1	22.5	3.5	11.7
Interest rates	9.6	8.8	17.6	3.7	7.6
Consolidated**	**36.6**	**39.5**	**95.2**	**17.7**	**47.2**

*** The consolidated stress test numbers are lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).*

Risk management

Profit and loss histogram

The histogram below illustrates the distribution in daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that a positive trading revenue was realised on 100 days out of a total of 126 days in the trading business for the six months to 30 September 2016. The average daily trading revenue generated for the six months to 30 September 2016 was R2.9 million (31 March 2016: R2.1million)



Risk management

Balance sheet risk management

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

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.

Risk management

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 30 September 2016. 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	31 929	185	37	-	-	8 098	40 249
Cash and short-term funds - non-banks	10 171	42	-	-	-	5	10 218
Investment/trading assets and statutory liquids	43 660	24 050	9 027	8 196	5 572	44 804	135 309
Securitised assets	9 492	-	-	-	-	-	9 492
Advances	193 923	5 265	1 184	13 941	2 006	3	216 322
Other assets	1 028	-	-	-	-	11 291	12 319
Assets	**290 203**	**29 542**	**10 248**	**22 137**	**7 578**	**64 201**	**423 909**
Deposits - banks	(33 194)	(2 098)	(312)	(112)	-	-	(35 716)
Deposits - non-banks	(241 780)	(19 497)	(17 370)	(9 155)	(2 084)	(1 038)	(290 924)
Negotiable paper	(4 332)	(308)	(4 472)	(184)	-	-	(9 296)
Securitised liabilities	(1 637)	-	-	-	-	(1)	(1 638)
Investment/trading liabilities	(4 940)	(3 388)	-	(574)	-	(13 714)	(22 616)
Subordinated liabilities	(11 175)	(1 204)	-	(653)	-	-	(13 032)
Other liabilities	(183)	-	(6)	(19)	-	(9 139)	(9 347)
Liabilities	**(297 241)**	**(26 495)**	**(22 160)**	**(10 697)**	**(2 084)**	**(23 892)**	**(382 569)**
Intercompany loans	**1 332**	**3 127**	**3 990**	**(1 868)**	**(241)**	**536**	**6 876**
Shareholders' funds	**(3 126)**	**(334)**	**-**	**(263)**	**(2 199)**	**(38 115)**	**(44 037)**
Balance sheet	**(8 832)**	**5 840**	**(7 922)**	**9 309**	**3 054**	**2 730**	**4 179**
Off-balance sheet	**13 104**	**(10 260)**	**4 635**	**(6 840)**	**(5 005)**	**187**	**(4 179)**
Repricing gap	**4 272**	**(4 420)**	**(3 287)**	**2 469**	**(1 951)**	**2 917**	**-**
Cumulative repricing gap	4 272	(148)	(3 435)	(966)	(2 917)	-	

Economic value sensitivity at 30 September 2016

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 has 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	79.5	4.3	2.7	-	2.8	(0.8)	224.2
200bps up	(11.2)	(3.9)	(6.5)	0.1	(0.7)	0.8	(179.5)

Risk management

Balance sheet risk management

Liquidity risk

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.

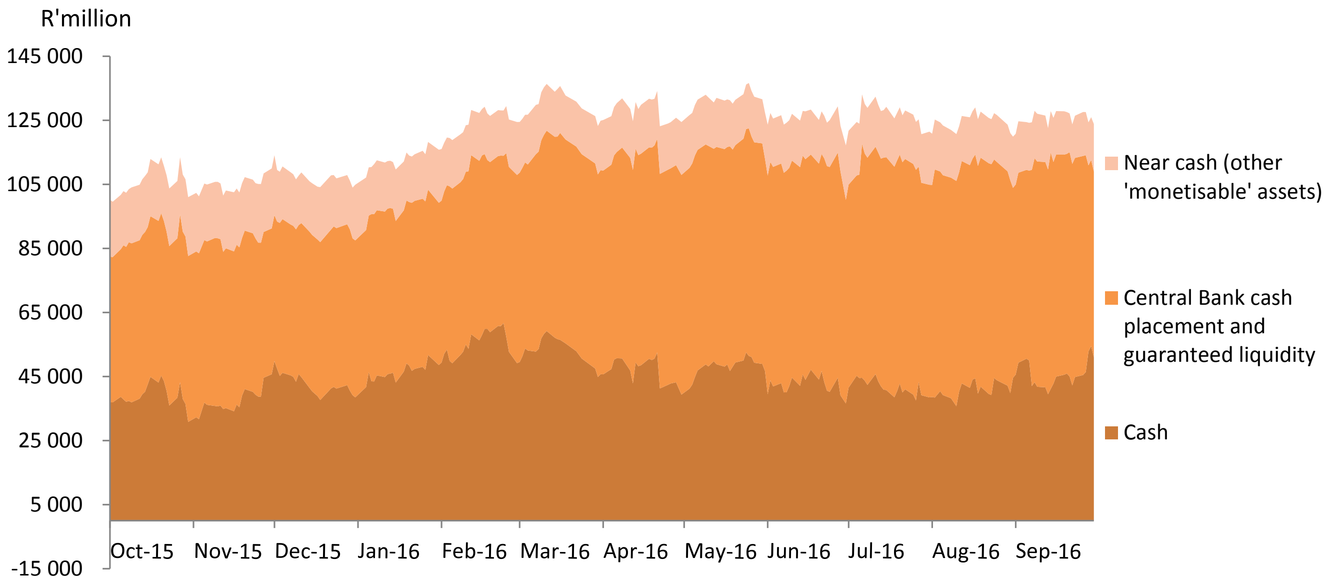
Liquidity risk is further broken down into:

- **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.

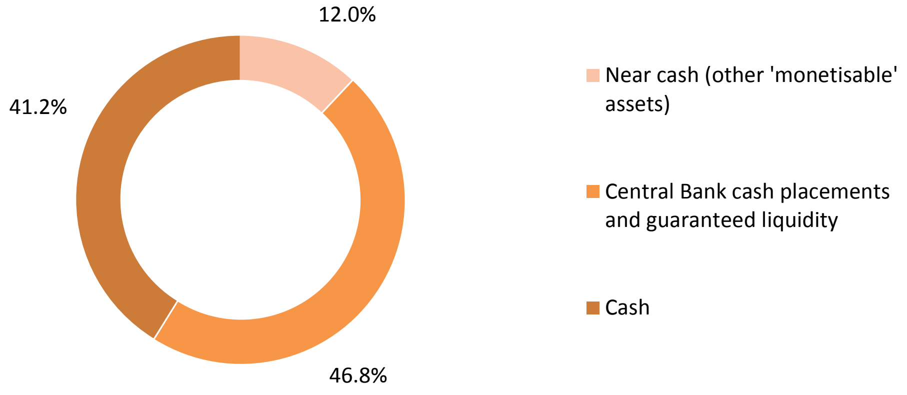
Cash and near cash trend



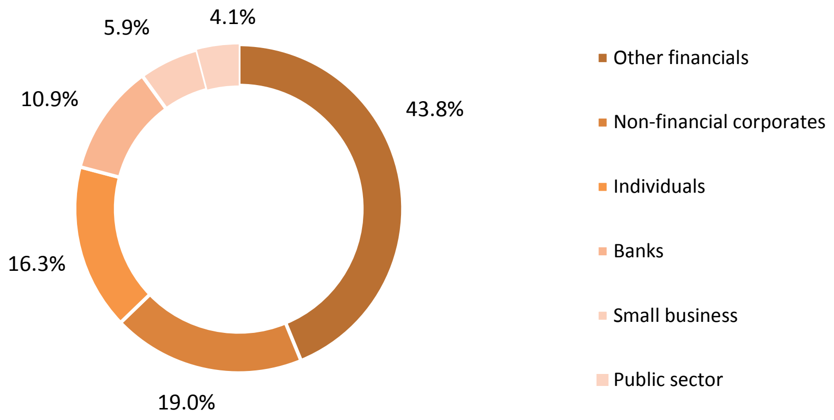
Risk management

Balance sheet risk management (continued)

An analysis of cash and near cash at 30 September 2016 (R123.9 billion)



Bank and non-bank depositor concentration by type at 30 September 2016 (R326.7 billion)



Risk management

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

With respect to the contractual liquidity mismatch:

• No assumptions are made except as mentioned below, and we record all asset 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 2016

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short term funds - banks	36 513	3 686	751	-	37	1 423	-	42 410
Cash and short term funds - non-banks	9 952	5	219	42	-	-	-	10 218
Investment/trading assets and statutory liquids	47 549	32 385	6 845	1 351	1 932	36 248	30 779	157 089
Securitised assets	74	9	54	104	175	1 603	7 473	9 492
Advances	6 975	4 432	13 241	14 657	22 116	104 145	50 756	216 322
Other assets	1 750	1 758	732	123	-	2 961	6 310	13 634
Assets	**102 813**	**42 275**	**21 842**	**16 277**	**24 260**	**146 380**	**95 318**	**449 165**
Deposits - banks	(762)	(1 711)	(2 283)	(2 722)	(574)	(26 658)	(1 006)	(35 716)
Deposits - non banks	(131 430)^	(24 269)	(47 445)	(26 723)	(29 573)	(28 888)	(2 641)	(290 969)
Negotiable paper	(14)	(317)	(476)	(213)	(5 370)	(2 556)	(350)	(9 296)
Securitised liabilities	-	-	-	-	-	-	(1 638)	(1 638)
Investment/trading liabilities	(499)	(14 476)	(3 543)	(6 160)	(2 701)	(15 960)	(494)	(43 833)
Subordinated liabilities	-	-	-	-	-	(1 289)	(11 743)	(13 032)
Other liabilities	(1 334)	(883)	(869)	(232)	(1 261)	(432)	(5 797)	(10 808)
Liabilities	**(134 039)**	**(41 656)**	**(54 616)**	**(36 050)**	**(39 479)**	**(75 783)**	**(23 669)**	**(405 292)**
Shareholders' funds	-	-	-	-	-	-	(43 873)	(43 873)
Contractual liquidity gap	**(31 226)**	**619**	**(32 774)**	**(19 773)**	**(15 219)**	**70 597**	**27 776**	**-**
Cumulative liquidity gap	(31 226)	(30 607)	(63 381)	(83 154)	(98 373)	(27 776)	-	

^ *Includes call deposits of R123.5 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

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

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	61 166	6 751	6 662	(4 326)	(4 663)	(132 043)	66 453	-
Cumulative	61 166	67 917	74 579	70 253	65 590	(66 453)	-	