Annual Report

Out of the Ordinary®

Investec

Get the most out of our report

Cross-referencing tools:

Audited information

Denotes information in the risk and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Page references

Refers readers to information elsewhere in this report

Sustainability

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

Website

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

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One

Investec Limited
in perspective

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

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

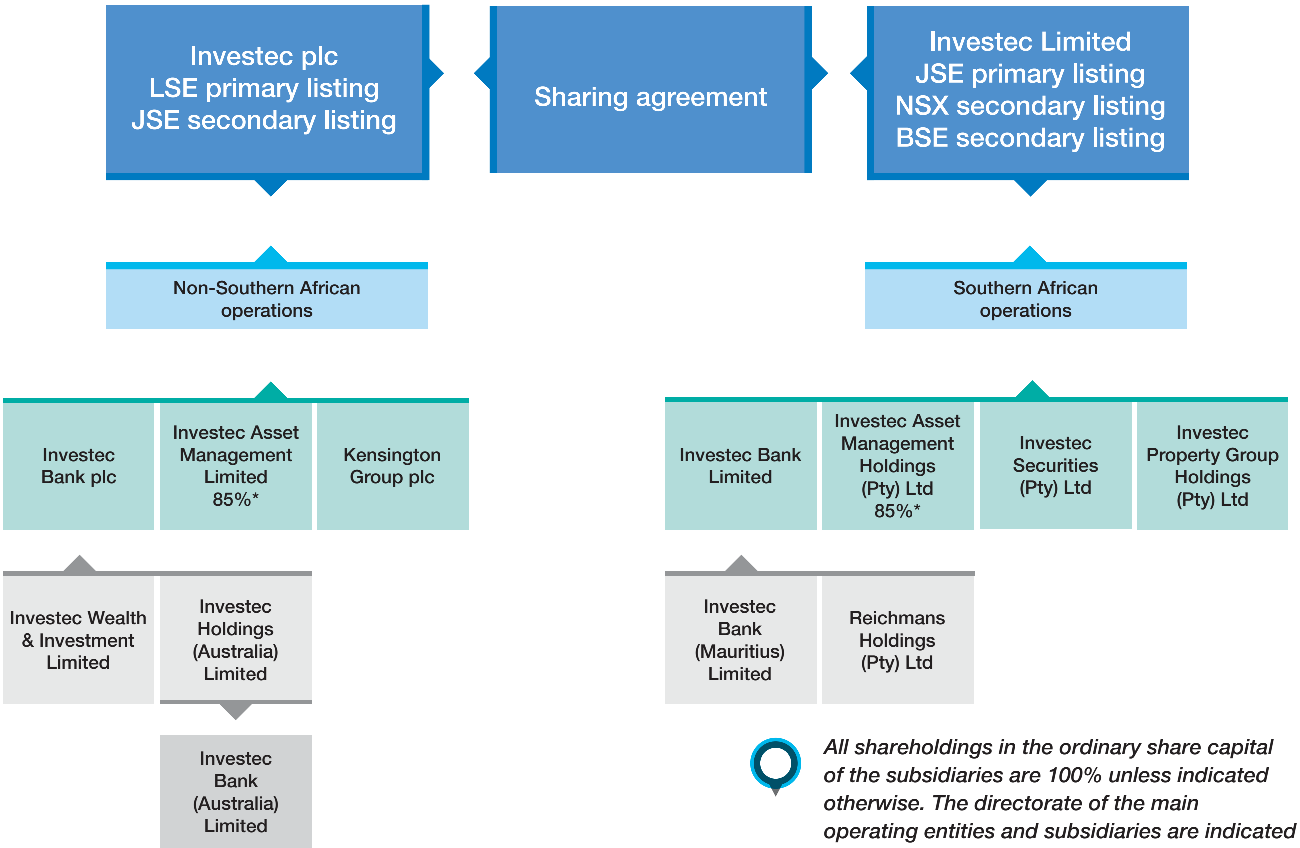
Operating structure

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

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

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange.

Our DLC structure and main operating subsidiaries at 31 March 2014



All shareholdings in the ordinary share capital of the subsidiaries are 100% unless indicated otherwise. The directorate of the main operating entities and subsidiaries are indicated on pages 96 and 97 as well as on our website.

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

Salient features of the DLC structure

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

Overview of the activities of Investec Limited

What we do. . . Asset Management

Our only business is to manage money on behalf of third parties. We aim to do this by exceeding the investment and client service expectations of our clients

Established in 1991, we have grown largely organically from domestic roots in Southern Africa and are still managed by our founding members, representing continuity and stability.

We manage money for clients from right around the world. Our clients include sovereign wealth funds, central banks, many of the world's largest private and public sector pension funds, financial groups and foundations, as well as advisers and those whom they serve.

Our investment team of 177 professionals is organised around seven core capabilities. Our client group is organised in five geographically defined units, serving our target clients around the globe. We have a centralised operations platform supporting these activities.

What we do. . . Wealth & Investment

Investec Wealth & Investment provides portfolio management, wealth management and stockbroking services to private clients, charities, pension funds and trusts

Over 290 staff operate from eight offices across South Africa, with R47.0 billion of funds under full discretionary management and a further R209.0 billion of funds under various other forms of administration. The Investec Wealth & Investment operation is one of South Africa's leading private client investment management businesses.

What we do. . .
Specialist Banking

The bank operates as a specialist bank, focusing on three key areas of activity: Corporate Advisory and Investment Activities, Corporate and Institutional Banking Activities and Private Banking Activities. Each business provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions including risk management, information technology, finance, investor relations, marketing, human resources and organisational development. The head office is also responsible for our central funding.

Corporates/government/institutional clients

Corporate Advisory and Investment Activities

Advisory
Principal investments
Property investment fund management

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

Our target market includes: listed and unlisted companies, fund managers, government and parastatals.

Our property business focuses on property fund management and property investments.

Corporate and Institutional Banking Activities

Treasury and trading services
Specialised lending, funds and debt capital markets
Institutional research, sales and trading

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

High income and high net worth private clients

Private Banking Activities

Transactional banking and foreign exchange
Lending
Deposits
Investments

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

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

Integrated systems and infrastructure

Our operational footprint

Asset Management value position

- Organically built an independent global platform from an emerging market base
- Independently managed unit within the Investec group
- Competitive investment performance in chosen specialities
- Truly global approach:
  – global investing
  – global client base
  – global operations platform
- Institutional and adviser focus
- Unique and clearly understood culture
- Stable and experienced leadership:
  – executive committee: average tenure of 20 years
  – top 30 leaders: average tenure of 15 years.

Wealth & Investment value proposition

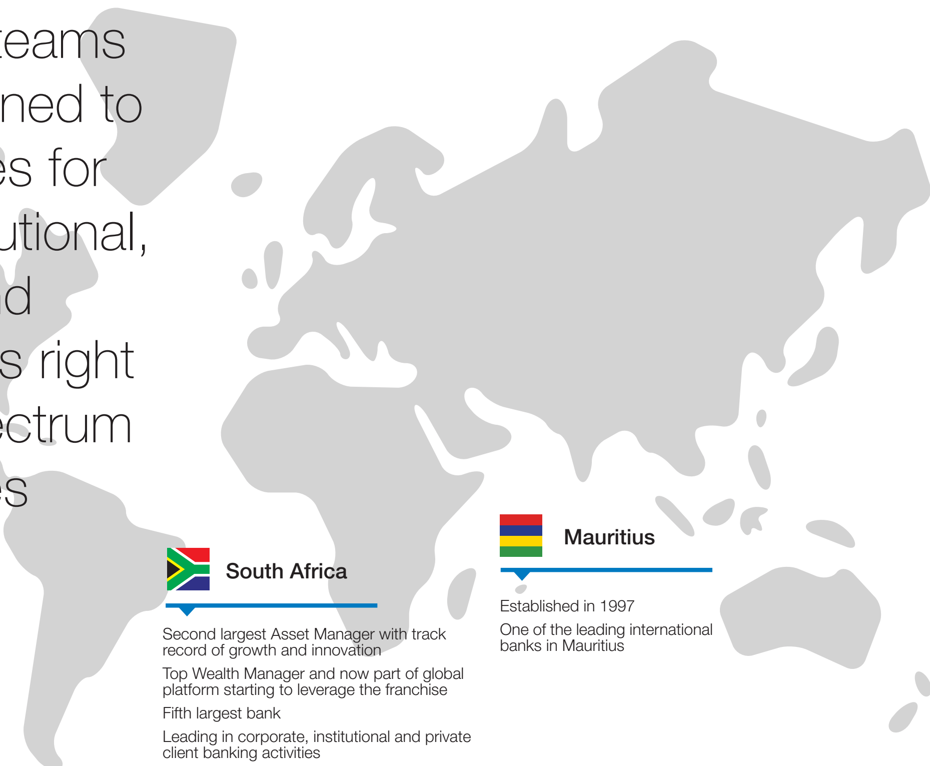
- Investec Wealth & Investment has been built via acquisition of businesses and organic growth over a long period of time
- Well established in South Africa
- Focus is on internationalising the business and organic growth in our key markets
- *c.*30 000 clients.

Specialist Banking value proposition

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

Where we operate

The specialist teams are well positioned to provide services for personal, institutional, government and business needs right across our spectrum of core activities



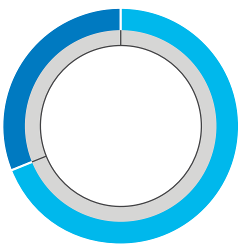
Highlights

We have a strong franchise and a diversified business model that supports a solid revenue base

The Asset Management and Wealth & Investment businesses reported solid results benefiting from higher levels of average funds under management and net inflows. The Specialist Banking business reported a 34.0% increase in operating profit*

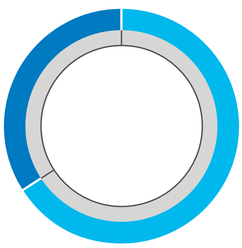
Operating profit* increased 28.5% to R4 977 million
(2013: R3 872 million)

Contribution to operating profit*



31 March 2014

Specialist Banking	69.0%
Asset Management and Wealth Management businesses	31.0%



31 March 2013

Specialist Banking	66.0%
Asset Management and Wealth Management businesses	34.0%

* *Before taxation and headline adjustments.*

Our financial performance

Headline earnings attributable to ordinary shareholders increased 21.6%

2013	2014
R2 641mn	R3 211mn

Cost to income ratios

2013	2014
56.5%	54.5%

Improving credit loss ratio

2013	2014
0.61%	0.42%

Cash and near cash balances increased 5.6%

2013	2014
R73.0bn	R84.5bn

Our financial performance

Core loans and advances increased 10.6%

2013	2014
R141.9bn	R156.9bn

Customer deposits increased 10.6%

2013	2014
R185.3bn	R204.9bn

Third party assets under management increased 16.3%

2013	2014
R615.1bn	R715.2bn

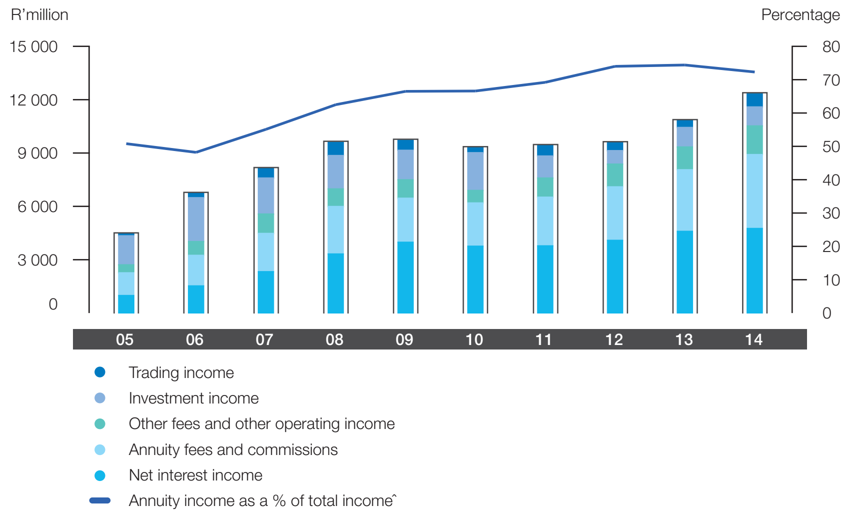
Low gearing ratios

2013	2014
12.2 times	10.5 times

Other financial features

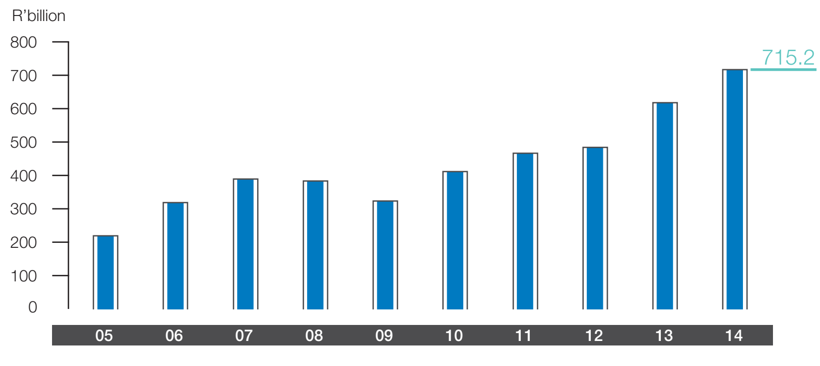
R'million	31 March 2014	31 March 2013	% change
Total capital resources (including subordinated liabilities)	41 625	39 001	6.7%
Total shareholders' equity	31 127	24 546	26.8%
Total assets	430 091	385 496	11.6%

Total operating and annuity income



^ *Where annuity income is net interest income and annuity fees.*

Momentum in building our third party assets under management continues



We have realigned our business model by building capital light revenues

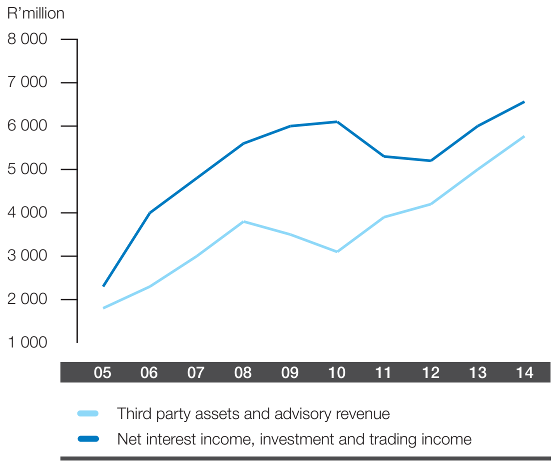
Sustainable business model

Capital light businesses

R5 768 million
47% of total revenue

Net fees and commissions of
R5 726 million
46% of total

Other of
R42 million
1% of total



Capital intensive businesses

R6 563 million
53% of total revenue

Net interest income of
R4 753 million
38% of total

Investment income of
R1 069 million
9% of total

Trading income of
R741 million
6% of total

Third party asset management and advisory revenue

- Asset management
- Wealth management
- Advisory services
- Transactional banking services
- Property funds.

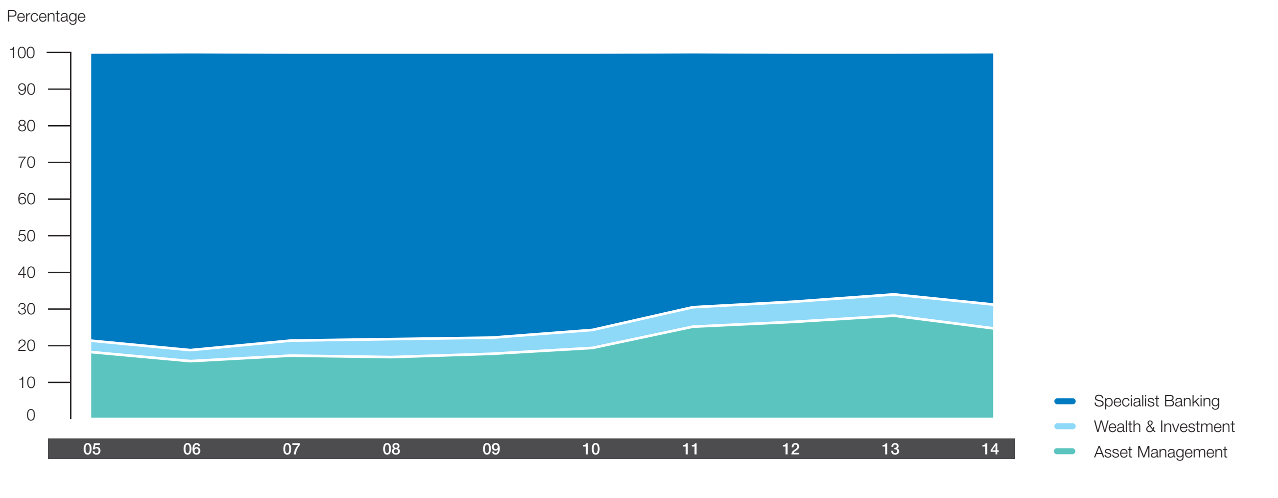
- **Containing costs**
- **Maintaining credit quality**
- **Strictly managing risk and liquidity**

Net interest income, investment income and trading income

- Lending portfolios
- Investment portfolios
- Trading income arising from client flow
- Trading income arising from balance sheet management and other trading activities.

Three distinct business areas supporting a large recurring revenue base amounting to 72.3% of operating income

Contribution to operating profit*

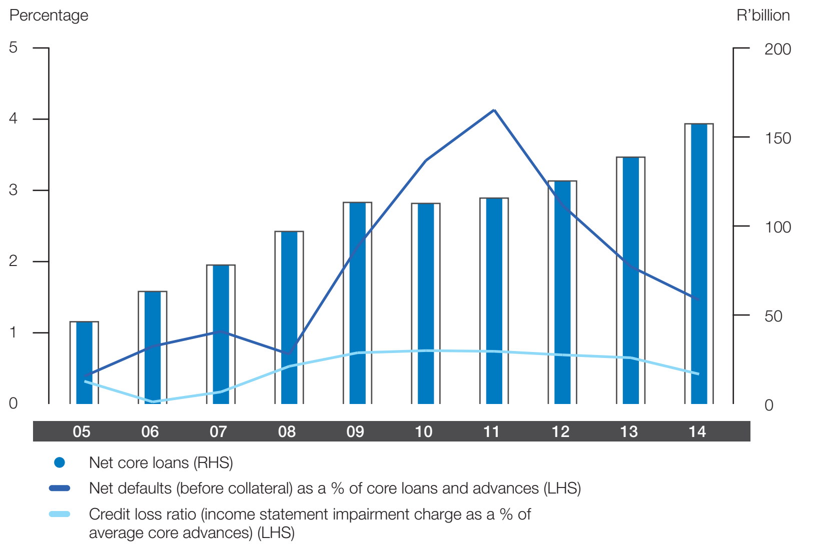


* *Before taxation and headline adjustments.*

Credit quality on core loans and advances has improved

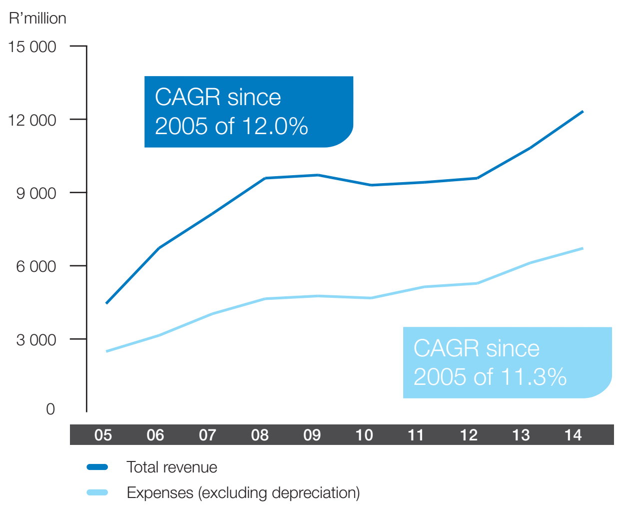
- Core loans and advances increased 10.6% to R156.9 billion
- Default loans (net of impairments) as a percentage of core loans and advances decreased from 1.89% to 1.46%
- Default loans have decreased since 31 March 2013, with an improvement reported in both the lending collateralised by property and corporate portfolios
- The credit loss ratio improved from 0.61% to 0.42%
- Net defaults (after impairments) remain adequately collateralised.

Default and core loans

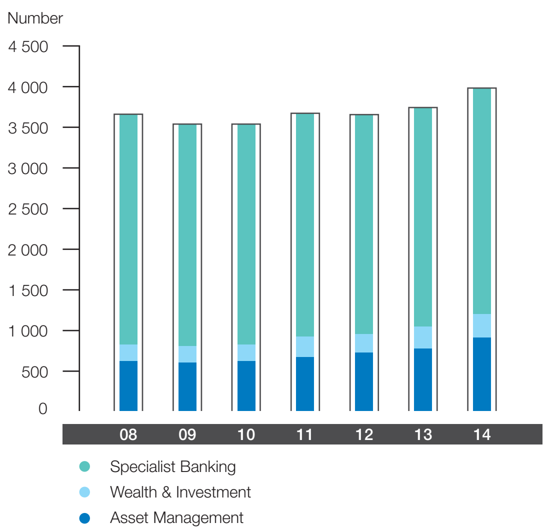


Costs relative to revenue improved

Cost to income ratio 54.5% (2013: 56.5%)



Headcount*



* *Permanent headcount.*

Stable capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets – approximately 33.0% of its liability base
- Diversifying funding sources
- Limiting concentration risk
- Reduced reliance on wholesale funding.

The intimate involvement of senior management ensures stringent management of risk and liquidity

Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy

Investec has maintained a stable capital base

A well-established liquidity management philosophy remains in place

Benefited from a growing retail deposit franchise and recorded an increase in customer deposits

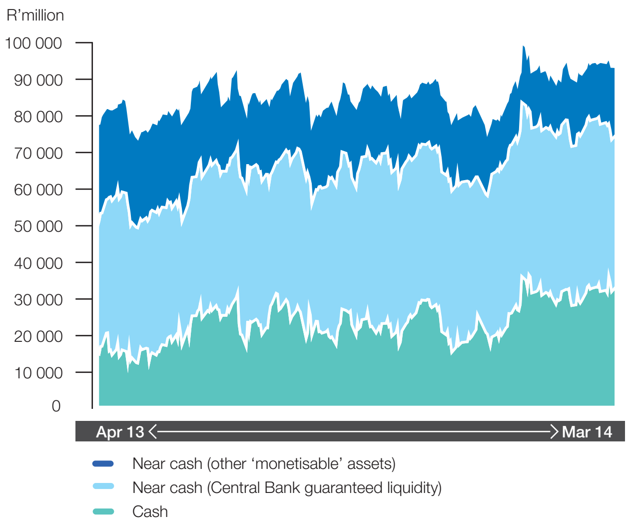
Advances as a percentage of customer deposits is at 72.9% (2013: 73.2%).

Capital adequacy and tier 1 ratios

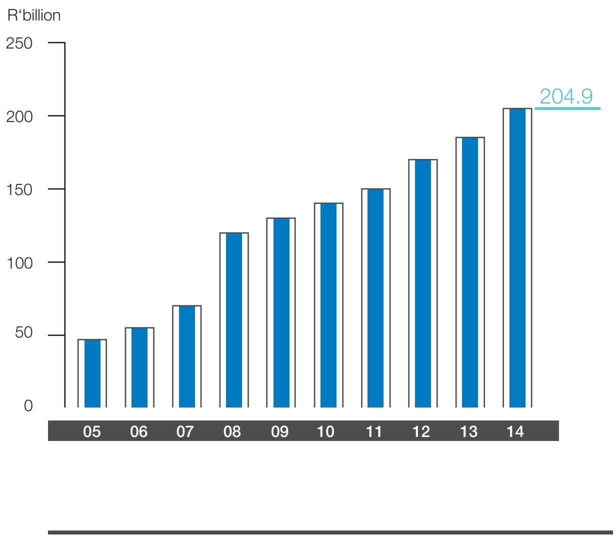
	31 March 2014 (Basel III)			31 March 2013 (Basel III)		
	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio
Investec Limited	14.9%	11.0%	9.4%	15.5%	10.8%	8.9%
Investec Bank Limited	15.3%	10.8%	10.3%	16.2%	10.9%	10.3%

Sound retail deposit franchise

Cash and near cash trend



Customer accounts (deposits)



TWO

Financial **review**

An overview of the operating environment impacting our business

South Africa

Our views

South Africa celebrates two decades of democratic freedom this year, and has made remarkable progress in the transition from apartheid to democracy. The transition has been peaceful, despite the country's history of dispossession and violence. Noticeable economic and social gains include a doubling of the size of the real economy and a substantial rollout of basic services and social welfare.

2.5%	1.9%
2012/13 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2013	2014
R37 476	R37 700

Since 1994, living standards have improved, and interest rates and inflation have fallen materially, with both real economic growth and GDP per capita rising

Forty quarters of uninterrupted growth, from 1998 until the global financial market crisis, has translated into real after tax income per person rising to R25 048 per annum, from R17 320 in 1994. Indeed, the South African economy has increased from R1.1 trillion to R2 trillion on real growth of 3.2% per annum since 1994, double the 1.6% per annum of the prior period. South Africans have become more affluent on average as many more are included in the formal economic net, but inequality remains high. South Africa still ranks amongst the most unequal societies in the world, and a significant number of households live in poverty. However, free state provision of basic services, housing and social grants are making meaningful inroads into the social deficit. The budget deficit rose following the financial crisis. Fiscal policy has therefore sought to smooth the economic cycle via increased expenditure, with a focus on social services and government employment creation. While the budget is still in deficit, it has narrowed considerably since 2009 and is on track to fall below 3.0% of GDP in the next few years.

Economic growth is waning and has been on a downward trend since 2011. Interest rates are running near 40-year lows, but the process of global monetary policy normalisation has started. South Africa increased its interest rates by 50bp in January 2014 and further hikes are expected. The international economy continues to strengthen, although South Africa's key trading partners, China and the Eurozone, have seen economic growth underperform. The current account remains in deficit, and will be so as long as foreigners are substantial holders of domestic bonds and equities. South Africa is well positioned to take advantage of Africa's growth potential, particularly the provision of services from a regional hub. In particular, South Africa has a sound banking sector, ranked third in the world by the World Economic Forum's Global Competitiveness Survey, and retains first place for the regulation of the securities exchange (JSE) and strength of auditing and reporting standards. South Africa is also placed first on the efficacy of its corporate boards and has incubated a large number of companies to large scale, international level. State provision of certain services continues to rank amongst the worst in the world, while the level of cooperation between labour and corporates is ranked the lowest in the 148 World Economic Forum country survey. Labour flexibility still needs to improve to absorb the unskilled and unemployed, and increase the ability to capture economic opportunity. The successful completion of the 2014 national and provincial elections opens up the opportunity for the state to become centrist, with consequent improved service delivery and economic freedom resulting in faster, inclusive economic growth.

Operating environment

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance.

	Period ended 31 March 2014	Period ended 31 March 2013	% change	Average over the period 1 April 2013 to 31 March 2014
Market indicators				
FTSE All share	3 556	3 381	5.2%	3 496
JSE All share	47 771	39 861	19.8%	43 299
Australia All ords	5 403	4 980	8.5%	5 163
S&P	1 872	1 569	19.3%	1 722
Nikkei	14 828	12 336	20.2%	14 433
Dow Jones	16 458	14 579	12.9%	15 538
Rates				
UK overnight	0.33%	0.42%		0.43%
UK 10 year	2.74%	1.76%		2.56%
UK clearing banks base rate	0.50%	0.50%		0.50%
Libor – three month	0.52%	0.51%		0.52%
SA R157 (2015)	6.79%	5.48%		6.12%
Rand overnight	5.33%	4.76%		4.86%
SA prime overdraft rate	9.00%	8.50%		8.59%
Jibar – three month	5.73%	5.13%		5.25%
Reserve Bank of Australia cash target rate	2.50%	3.00%		2.60%
US 10 year	2.73%	1.85%		2.54%
Commodities				
Gold	U$1 289/oz	U$1 596/oz	(19.2%)	U$1 327/oz
Gas Oil	U$904/mt	U$928/mt	(2.6%)	U$915/mt
Platinum	U$1 418/oz	U$1 576/oz	(10.0%)	U$1 435/oz
Macro-economic				
South Africa GDP (% real growth over the calendar year in Rands)	1.9%	2.5%		
South Africa per capita GDP (real value in Rands)	37 700	37 476	0.6%	

Sources: Datastream, Bloomberg's, Office for National Statistics, SARB Quarterly Bulletin, Australian Bureau of Statistics.

Risks relating to our operations

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

These risks are summarised briefly in the table below with further detail provided in the risk management section of this report.

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

28 – 50

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

69 – 73

Operational risk may disrupt our business or result in regulatory action.

72 and 73

Legal and regulatory risks are substantial in our businesses.

63 – 69

Liquidity risk may impair our ability to fund our operations.

72

Reputational, strategic and **business risk.**

60 – 63

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

69 – 73

We may be **vulnerable to the failure of our systems** and breaches of our security systems.

52 – 59

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

73 – 84

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

69 – 73

Employee misconduct could cause harm that is difficult to detect.

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

See the Investec group's 2014 integrated annual report on our website.

13 and 14

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

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

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

We provide a wide range of financial products and services to a niche client base in South Africa and Mauritius. We are organised as a network comprising three principal business divisions: Asset Management, Wealth & Investment and Specialist Banking.

Specialist Banking

There are therefore a number of key income drivers for our business which are discussed below and alongside.

Asset Management

Key income drivers	Income impacted primarily by
• Fixed fees as a percentage of assets under management • Variable performance fees.	• Movements in the value of the assets underlying client portfolios • Performance of portfolios against set benchmarks • Net flows.
Income statement – primarily reflected as	
• Fees and commissions.	

Wealth & Investment

Key income drivers	Income impacted primarily by
• Investment management fees levied as a percentage of assets under management • Commissions earned for executing transactions for clients.	• Movement in the value of assets underlying client portfolios • The level of investment activity undertaken on behalf of clients which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.
Income statement – primarily reflected as	
• Fees and commissions.	

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Lending activities	• Size of portfolios • Clients' capital and infrastructural investments • Client activity • Credit spreads • Shape of yield curve.	• Net interest income • Fees and commission.
• Cash and near cash balances	• Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements • Credit spreads.	• Net interest income • Trading income arising from balance sheet management activities.
• Deposit and product structuring and distribution	• Distribution channels • Ability to create innovative products • Regulatory requirements • Credit spreads.	• Net interest income • Fees and commissions.
• Investments made (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities.	• Net interest income • Investment income.
• Advisory services	• The demand for our specialised advisory services which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals.	• Fees and commissions.
• Derivative sales, trading and hedging	• Client activity • Market conditions/volatility • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity.	• Fees and commissions • Trading income arising from customer flow.
• Transactional banking services	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure.	• Net interest income • Fees and commissions.

Overview

Investec Limited posted an increase in headline earnings attributable to ordinary shareholders of 21.6% to R3 211 million (2013: R2 641 million). The balance sheet remains strong with a capital adequacy ratio of 14.9% as calculated in terms of Basel III (2013: 15.5%). Unless the context indicates otherwise, all income statement comparatives in the review below relate to the results for the year ended 31 March 2013.

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Total operating income

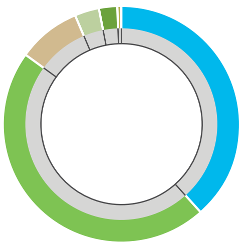
Total operating income before impairment losses on loans and advances of R12 331 million is 13.9% higher than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2014	% of total income	31 March 2013	% of total income	% change
Net interest income	4 753	38.6%	4 591	42.4%	3.5%
Net fee and commission income	5 726	46.4%	4 669	43.1%	22.6%
Investment income	1 069	8.7%	1 099	10.2%	(2.7%)
Trading income arising from					
– customer flow	432	3.5%	174	1.6%	>100.0%
– balance sheet management and other trading activities	309	2.5%	213	2.0%	45.1%
Other operating income	42	0.3%	77	0.7%	(45.5%)
Total operating income before impairment losses on loans and advances	12 331	100.0%	10 823	100.0%	13.9%

The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review.

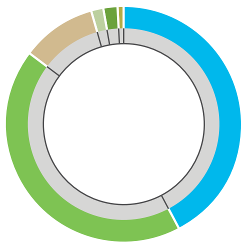
R'million	31 March 2014	% of total income	31 March 2013	% of total income	% change
Asset Management	2 755	22.3%	2 492	23.0%	10.6%
Wealth & Investment	954	7.7%	720	6.7%	32.5%
Specialist Banking	8 622	70.0%	7 611	70.3%	13.3%
Total operating income before impairment losses on loans and advances	12 331	100.0%	10 823	100.0%	13.9%

% of total operating income before impairment losses on loans and advances



31 March 2014
R12 331 million total operating income before impairment losses on loans and advances

Net interest income	38.6%
Net fee and commission income	46.4%
Investment income	8.7%
Trading income arising from customer flow	3.5%
Trading income arising from balance sheet management and other trading activities	2.5%
Other operating income	0.3%



31 March 2013
R10 823 million total operating income before impairment losses on loans and advances

Net interest income	42.4%
Net fee and commission income	43.1%
Investment income	10.2%
Trading income arising from customer flow	1.6%
Trading income arising from balance sheet management and other trading activities	2.0%
Other operating income	0.7%

Net interest income

Net interest income was marginally ahead of the prior year at R4 753 million (2013: R4 591 million) largely as a result of an increase in the bank's loan portfolio, offset by a lower return earned on the credit investment portfolio.

For a further analysis on net interest received and interest paid refer to page 129.

Net fee and commission income

Net fee and commission income increased by 22.6% to R5 726 million (2013: R4 669 million), supported by higher average funds under management and a good performance from the corporate business with strong growth in project finance renewable energy and structured finance fees. The professional finance business and property fund management continued to perform well.

For a further analysis on net fee and commission income refer to page 130.

Investment income

Investment income decreased by 2.7% to R1 069 million (2013: R1 099 million). This year's performance was supported by a solid performance from the unlisted private equity portfolio, however, the prior year included gains on the sale of investment properties which have not been repeated in the current year.

For a further analysis on investment income refer to pages 130 and 131.

Trading income

Trading income arising from customer flow increased to R432 million (2013: R174 million) due to increased client activity, notably in foreign exchange transactions. Trading income arising from other trading activities increased to R309 million (2013: R213 million) reflecting improved activity on the balance sheet.

Impairment losses on loans and advances

Impairment losses on loans and advances decreased from R833 million to R636 million. The credit loss charge as a percentage of average gross core loans and advances has improved from 0.61% at 31 March 2013 to 0.42%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 1.46% (2013: 1.89%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.55 times (2013: 1.44 times).

For further information on asset quality refer to pages 43 to 50.

Operating costs

Total operating expenses grew by 9.8% to R6 718 million (2013: R6 118 million) largely as a result of increased variable remuneration, given improved profitability with the ratio of total operating costs to total operating income amounting to 54.5% (2013: 56.5%).

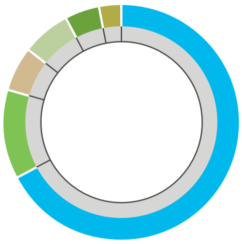
The various components of total expenses are analysed below.

R'million	31 March 2014	% of total expenses	31 March 2013	% of total expenses	% change
Staff costs (including directors' remuneration)	4 520	67.3%	3 995	65.3%	13.1%
Business expenses	833	12.4%	770	12.6%	8.2%
Equipment (excluding depreciation)	399	5.9%	469	7.7%	(14.9%)
Premises (excluding depreciation)	455	6.8%	419	6.8%	8.6%
Marketing expenses	326	4.8%	297	4.9%	9.8%
Depreciation	185	2.8%	168	2.7%	10.1%
Total operating costs	6 718	100.0%	6 118	100.0%	9.8%

The following table sets out information on total expenses by division for the year under review.

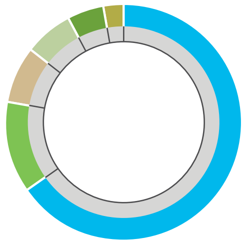
R'million	31 March 2014	% of total expenses	31 March 2013	% of total expenses	% change
Asset Management	1 528	22.7%	1 402	22.9%	9.0%
Wealth & Investment	631	9.4%	495	8.1%	27.5%
Specialist Banking	4 559	67.9%	4 221	69.0%	8.0%
Total operating costs	6 718	100.0%	6 118	100.0%	9.8%

% of total operating costs



31 March 2014
R6 718 million total operating costs

Staff costs	67.3%
Business expenses	12.4%
Equipment	5.9%
Premises	6.8%
Marketing	4.8%
Depreciation	2.8%



31 March 2013
R6 118 million total operating costs

Staff costs	65.3%
Business expenses	12.6%
Equipment	7.7%
Premises	6.8%
Marketing	4.9%
Depreciation	2.7%

Balance sheet analysis

Since 31 March 2013:

- Total shareholders' equity (including non-controlling interests) increased by 26.8% to R31.1 billion largely as a result of retained earnings
- Total assets increased by 11.6% to R430.1 billion largely as a result of an increase in core loans and advances and cash and near cash balances.

Questions and answers

Hendrik du Toit

Chief executive officer Global

Asset Management…

Can you give us an overview of the environment in which you operate?

A Our focus is on the institutional and adviser segments of the market. We build long-term relationships with the largest and most sophisticated institutional investors and asset platforms, irrespective of where they are based geographically. In the UK and Southern Africa we also serve medium-sized institutional accounts as well as advisers. Over the last decade, we have consciously developed a presence in most of the world's major markets. We think and act with a very long-term horizon.

The turbulence in emerging markets and specifically emerging currencies over the past year has been some cause for concern. However, in spite of this, the business has performed competitively and continued to attract net inflows into these strategies. We are committed to building a well-balanced, robust firm, with a variable cost base, which should be able to look after its clients in benign as well as challenging market conditions. We do not let short-term market movements influence our long-term strategy and positioning.

Against this backdrop and measured against the universe of peers, we had a good year for net inflows bringing in in excess of R42 billion globally. The majority of these flows came from the Americas and Europe. This number could have been even higher had it not been for the weaknesses across emerging market currencies.

The avalanche of regulatory initiatives prevails and has continued to consume more resources and management time than pre-financial crisis. We do not anticipate this to change in the near term in this industry.

What have been the key developments in the business over the financial year?

A This year we reorganised our client groups from seven to five, through the combination of the previously separate Asia, Middle East and Australia client groups, into a single Asia Pacific client group. This enables us to enhance efficiency and build a strong, unified presence in this important region.

In addition, our Asia Pacific business has undergone significant change and evolution in the past year. This has included establishing our position in Singapore, recruiting investment professionals into the region and the strengthening of our regional leadership team. This will help us to benefit from the significant developments across both institutional and adviser clients in this area.

Long-term investment performance remains solid, with 87% of our mandates outperforming their benchmark on a 10-year annualised basis. As always, there are a few strategies facing short-term performance pressure or market headwinds, but it is important to confirm that we are positioned to compete effectively at the highest level.

In addition to the client endorsement through the seventh consecutive year of positive net inflows, we have also continued to achieve independent and international recognition during the past year.

Finally, this was our first full year following an acquisition by senior management of a 15% shareholding in the business (with an option to purchase a further 5% over the following six years). This transaction has been successful in enabling us to compete more effectively with other independent, pure-play global asset managers.

What are your strategic objectives in the coming year?

A Our long-term objective remains unchanged: we continue to be completely committed to managing our clients' money to the highest standard possible. We focus on investment performance, meeting the needs of our clients, innovation and investment insight. To deliver on these objectives, we continue to invest in the development of our investment capabilities, our service proposition to our global client base and, most importantly, our people. We continue to nurture the culture that binds us together.

What is your outlook for the coming year?

A In spite of a modest year overall due to the impact of volatile markets and weakening emerging market currencies, our business remains stable and momentum is positive. We believe that we are well positioned to face the future.

The opportunity for growth over the next five years is significant. Our priorities are to deepen and widen our investment strategies, and to focus on further diversifying our client base. This will include expanding our range of private market strategies, and increasing our market penetration in Asia, Europe and the Americas.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

A In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. The essential purpose of which is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role over our clients' assets, including exercising of their ownership rights. This includes ensuring that our investments adhere to appropriate ESG standards. We believe this approach benefits both our clients and the social realms in which we invest and operate.

For further information around ESG please visit the stewardship page on our website.

For further information refer to the sustainability report on our website.

Questions and answers

Steve Elliott

Global head

Wealth & Investment...

Can you give us an overview of the environment in which you operate?

A In South Africa, the 12 months to the end of March 2014 have been volatile for markets, and emerging markets in particular. Many stock market indices, including the JSE, achieved record highs.

The main driving factor was the timing and pace of the so-called taper – the phased withdrawal by the US Federal Reserve from its monthly programme of asset purchases, worth US$85 billion at its peak. The Fed first outlined in May 2013 its intentions to begin tapering.

The 'tapering' of quantitative easing kept the pressure on risk assets for most of 2013. The Rand weakened from around R9.00 to the US Dollar in April 2013 to R11.20 in January 2014, as global investors switched out of emerging markets.

Global investors appear to be seeing value once more in emerging markets, including South Africa, taking the view that sustained growth in the developed world will also lift emerging markets. They appear willing to look beyond tensions in the Ukraine, Turkey and the strike action in South Africa, as well as the January rate hikes in Turkey, India and South Africa.

In Rand terms, the JSE returned 19.8% over the 12 months to 31 March 2014. In US Dollars, the JSE returned 9.6%.

What have been the key developments in the business over the last financial year?

A Across the discretionary and advisory investment mandates within the South African business, strong net asset flows have been secured.

We have achieved solid investment performance across a broad range of domestic and offshore investment mandates. We continue to invest in these processes.

We have actively embarked on the provision of an integrated offering to both Wealth & Investment and Private Banking clients, reinforced by the launch of the Investec App and online experience.

Over the last year, Investec Wealth & Investment received a number of international and domestic awards, recognising us as the leading private client wealth and investment manager in South Africa.

What are your strategic objectives in the coming year?

A We will continue to reinforce our leading market positioning as a seamless global investment business, enabling our South African-based clients to access global investment opportunities on a discretionary, advisory or execution-only basis.

As part of our strategy in South Africa to offer investment services to existing Private Bank clients, we will be launching our online self-directed investment platform this year. It will be aimed at the bank's emerging investment clients, who have not historically been part of our target market.

We are committed to promoting, for the clients of Wealth & Investment and Private Banking, a truly seamless banking and investment experience across our business, as appropriate to the market.

What is your outlook for the coming year?

A We are confident that our investment processes are sound and should continue to deliver superior performance. Our asset acquisition and distribution strategies are progressing well and we expect to increase our discretionary funds over the next 12 months.

The investment we have made, and continue to make, in developing the business and our offering leaves us well placed to continue to build on the growth we have achieved over the last financial year.

Ongoing initiatives in the digital and online channels should support revenue improvements and business efficiencies.

Questions and answers

Stephen Koseff Bernard Kantor Glynn Burger

Business leaders

Specialist Banking…

Can you give us an overview of the environment in which you operate?

A The political economic environment has been challenging with a high degree of uncertainty and breakdown between business and labour resulting in weak macro-economic conditions. Our business activity has been supported by strong equity markets, an improving global environment and positive levels of activity amongst our core client base. We continue to see an increase in regulatory scrutiny as the world adjusts its regulatory model to ensure that financial institutions act in the interest of broader society and do not provide a threat to economic stability.

Now that the general election is behind us and government seems to be committed to the National Development Plan, we are hopeful the economic environment will improve supported by global growth as well as the development of infrastructure, improvement in labour relations and the creation of a more business-friendly environment.

What have been the key developments in the business over the financial year?

A We have spent the last few years implementing the one-bank process which was designed to provide better solutions for our clients but at the same time create a more simple, efficient and effective operating structure. This process is now embedded within the organisation and how it conducts itself on a daily basis.

We have seen a lot of traction from the close co-operation between the Private Bank and Wealth & Investment businesses in leveraging our private client platform. Our approach is to provide and integrate our offering across our client segments and build market share in those segments through further client penetration.

Lending activity levels continued to improve compared to previous years, with solid growth achieved in our professional banking, property lending and corporate portfolios. A dedicated Retail Funding business was created to focus on growing the deposit base in a highly competitive market in the quest for Basel III compliant funds. We continued to enhance our transactional banking offering, particularly with our online offering, which supported further momentum in our Professional Banking business.

Corporate activity was buoyant, resulting in a solid performance from our advisory, debt origination, treasury sales and structuring businesses. A number of businesses within our corporate division were integrated in an effort to provide a more holistic offering to our corporate client base, which also resulted in the introduction of a number of new product offerings.

Our unlisted investment and investment/trading property portfolios continued to perform well.

What are your strategic objectives in the coming year?

A Over the past few years, we have continued to build our franchise in our core client segments. Building and developing our client franchises remains integral to the growth and development of our organisation and we endeavour to continue to enhance our client experience, ensuring our target clients do more with us as an organisation.

We will continue to focus on cross-selling our products across different client bases, providing services between Private Bank and the Wealth & Investment businesses and a more focused approach to servicing the corporate market so that our Specialist Bank maintains its agility in providing our clients, both private and corporate, with integrated solutions.

We continue to rollout our Africa strategy. The African continent has made great strides in its democratisation over the past couple of years and South Africa is well positioned to provide a platform for global players wishing to take advantage of the African opportunity. These initiatives remain focused largely on advisory, corporate institutional banking and asset management opportunities.

What is your outlook for the coming year?

A We are hopeful that with the general election completed and government on a path to implement its plans, activity levels will remain satisfactory to improving.

Overall, we are well positioned and placed to benefit from an uptick in infrastructure investment and an improved global economic outlook.

How do you incorporate environmental and sustainability considerations into your business?

A We continue to have a meaningful impact through a number of our environmental and social projects. Investec Limited maintained its inclusion in the JSE SRI Index and we were included in the Climate Disclosure Leadership Index 2013 (Top 11 in South Africa across all sectors). Our power and infrastructure team continues to play an active role in the renewable energy sector with R3.2 billion committed to renewable projects in the country. In line with our corporate social investment strategy, a total of 90% of our spend was allocated to education and entrepreneurial projects. Following on from the previous success of our Promaths programme, during the 2013 academic year we launched four new Promaths centres reaching a further 1 800 learners.

For further information refer to the sustainability report available on our website.

Three

Risk management and
corporate governance

Risk management

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 – Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 – Presentation of Financial Statements (IAS 1) are included within this section of the integrated annual report

on pages 25 to 85 with further disclosures provided within the annual financial statements section on pages 112 to 186.

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

The risk disclosures comprise the majority of the bank's Pillar III risk disclosures as required in terms of regulation 43 of the regulations relating to banks in South Africa.

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

Philosophy and approach to risk management

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

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

Group Risk Management monitors, manages and reports on our risks to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee. Business units are ultimately responsible for risks that arise.

We monitor and control risk exposure through Credit, Market, Liquidity, Operational and Legal Risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

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

Group Risk Management divisions with international responsibility are locally responsive, yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. Group Risk Management continually seeks new ways to enhance its techniques.

Overall summary of the year in review from a risk perspective

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 13 to 16.

Investec has continued to maintain a sound balance sheet with low gearing, and a diversified business model. This has been supported by the following key operating fundamentals:

- Intimate involvement of executive management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance determined largely by realised economic value-added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied within the group in excess of 15 years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying sound financial strength and integrity, a core competency

Group Risk Management objectives are to:

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

The group maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year

and an established track record. Impairments on loans and advances decreased from R833 million to R636 million. Since 31 March 2013 gross defaults have improved from R4.0 billion to R3.5 billion. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.46% (2013: 1.89%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.55 times (2013: 1.44 times)

- Limited exposure to structured credit; representing approximately 1.2% of total assets
- No exposures to peripheral Europe
- A low gearing ratio of 10.5 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 2.3% of total assets
- Low equity and investment risk exposure with total investments comprising 5.0% of total assets
- Modest proprietary market risk within our trading portfolio. Value at risk and stress-testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.1% of total operating income
- A high level of readily available, high-quality liquid assets; cash and near cash of R84.5 billion, representing 33.0% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Continued increase in retail customer deposits and a sound retail franchise
- Healthy capital and leverage ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- A high level of recurring income which continues to support sustainability of operating profit.

Detailed information on key developments during the financial year in review is provided in the sections that follow:

Refer to pages 35, 59 and 68, with a high level summary of the most salient aspects provided below.

Credit risk

Core loans and advances grew by 10.6% to R156.9 billion with residential owner-occupied and corporate portfolios representing the majority of the growth for the financial year in review.

The level of default loans continued to decline with an improvement in both lending collateralised by property and the corporate client portfolio, partly as some transactions have been settled and some written off.

The credit loss ratio improved to 0.42% from 0.61% as we saw stability in the level of new loans entering into current and default categories.

Our legacy default portfolio which largely relates to lending collateralised by property, notably residential developments, continues to be managed down.

Traded market risk

Market moves in South Africa have been largely driven by events in international markets. Uncertain markets as well as the drop in volumes of trade has caused traders to reduce risks in their trading books. In particular, Equity Index derivatives trade saw a substantial drop in volumes causing traders to drastically cut the amount of risk taken in these instruments.

Balance sheet risk

Total customer deposits increased by 10.6% from 1 April 2013 to R204.9 billion at 31 March 2014 (Private Bank deposits amounted to R76 billion and other external deposits amount to R129 billion). Cash and near cash balances increased by 15.8% from 1 April 2013 to R84.5 billion at 31 March 2014.

Salient features

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

Year to 31 March	2014	2013
Net core loans and advances (R'million)	156 870	141 863
Gross defaults as a % of gross core loans and advances	2.24%	2.82%
Defaults (net of impairments) as a % of net core loans and advances	1.46%	1.89%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.42%	0.61%
Structured credit investments as a % of total assets^	1.17%	1.24%
Banking book investment and equity risk exposures as a % of total assets^	5.02%	4.96%
Level 3 (fair value assets) as a % of total assets^	2.3%	0.1%
Traded market risk: one-day value at risk (R'million)	2.8	7.2
Cash and near cash (R'million)	84 476	72 974
Customer accounts (deposits) (R'million)	204 903	185 311
Core loans to equity ratio	5.0x	5.8x
Total gearing ratio**	10.5x	12.2x
Loans and advances to customers to customer deposits	72.9%	73.2%
Capital adequacy ratio	14.9%	15.5%
Tier 1 ratio	11.0%	10.8%
Common equity tier 1 ratio	9.4%	8.9%
Leverage ratio	7.2%	n/a

* *Income statement impairment charge on core loans as a percentage of average advances.*
** *Total assets excluding assurance assets to total equity.*
^ *Total assets excluding assurance assets.*

An overview of key risks

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

These risks have been highlighted on page 15.

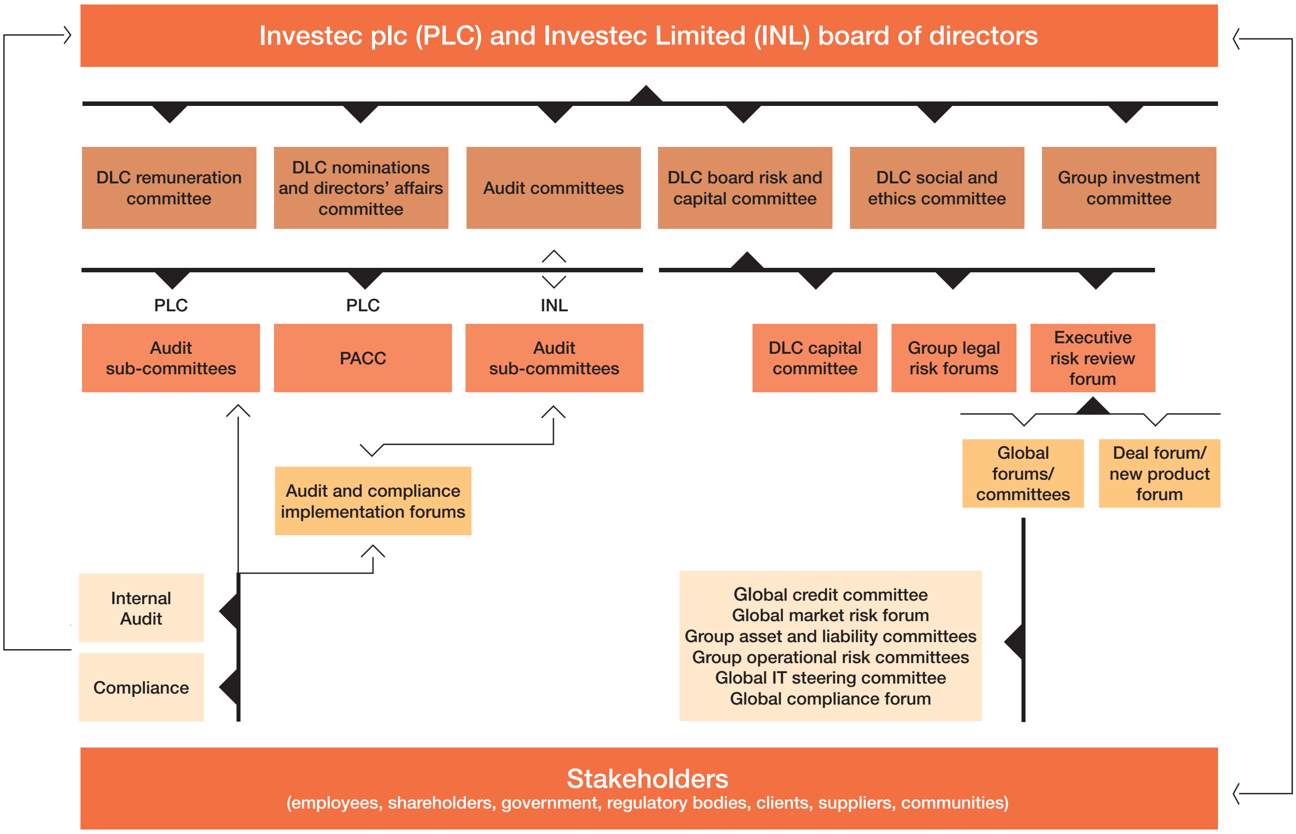
The sections that follow provide information on a number of these risk areas.

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

Risk management framework, committees and forums

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

Governance framework



Credit and counterparty risk management

Credit and counterparty risk description

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

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

- Lending transactions giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

Credit and counterparty risk governance structure

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

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

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

Whilst we do not have a separate country risk committee, the local and global credit committees will consider, analyse and assess the appropriate limits to be recorded when required to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

Credit and counterparty risk appetite

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property-related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations.

Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 51 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high-income earning individuals, corporate institutions, state-owned enterprises and banks. Corporates must have scale, experienced management, able board members and strong earnings/cash flow. Interbank lending is largely reserved for those banks and institutions in the group's core geographies of activity which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures are generally avoided.

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands-on' and longstanding relationship with our clients.

In certain instances we have elected to sell certain assets down and/or securitise them (refer to pages 54 to 56 for further information).

Concentration risk

Credit risk concentration exists when large exposures exist to a particular counterparty or group of connected counterparties, or to a particular geography, asset class or industry. Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and transaction basis by Group Risk and the various business units. Concentration risk can also exist where a number of counterparties are engaged in similar activities and have similar economic characteristics that could cause their ability to meet contractual obligations to be similarly affected by changes in economic, legal, regulatory or other conditions. The board sets a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to ERRF and BRCC on a regular basis. Should there be any breaches to limits or where exposures are nearing limits, these exceptions are specifically highlighted for attention.

Sustainability considerations

Overview

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

- Environmental considerations (including animal welfare)
- Social considerations
- Economic considerations.

Refer to our sustainability report on our website.

Management and measurement of credit and counterparty risk

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

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved

- A high level of executive involvement in decision-making with non-executive review and oversight.

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

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

The relevant credit committees within Investec will also consider wrong-way risk at the time of granting credit for specific products to each counterparty. Specific wrong-way risk occurs where exposure to a counterparty is positively correlated with the counterparty's probability of default due to the nature of transactions with the counterparty. In other words, the mark-to-market value of a transaction and the likelihood of the counterparty defaulting increase at the same time.

Investec completes scenario tests on its loan portfolio with regard to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the portfolio is not rated by external rating agencies. We mainly place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available as support. Within the credit approval process internal and external ratings are included in the assessment of the client quality.

Exposures are classified to reflect the bank's risk appetite and strategy. At a high level the exposures are classified according to the Basel asset classes which include sovereign, bank, corporate, retail, equity, securitisation and specialised lending (which is further categorised into project finance; commodities finance; high volatility commercial real estate; and income-producing commercial real estate). Internal credit rating models are developed to cover all these asset classes. The internal ratings are incorporated in the risk management and decision-making processes and are used in credit assessment, monitoring and approval as well as pricing.

Fitch, S&P, Moody's and DBRS have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

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

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

Credit and counterparty risk – nature of lending activities

Credit and counterparty risk is assumed mainly through lending collateralised by property and lending activities by private and corporate clients, although some credit and counterparty risk does arise in other businesses.

Lending collateralised by property

We provide senior debt and other funding for property transactions. Income-producing assets account for the majority of exposure to lending collateralised by property. The portfolio is predominantly made up of commercial property collateral.

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

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 49 and 50.

Private Client Activities

We target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in mid-cap companies and sophisticated investors.

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

Credit risk arises from the following activities:

- Personal Banking delivers products to enable target clients to create and manage their wealth, private client mortgages, transactional banking, high net worth lending, trust and fiduciary, offshore banking and foreign exchange
- Residential Mortgages provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- Specialised Lending provides structured credit facilities to high net worth individuals and their controlled entities
- The Professional Finance team creates innovative products specifically designed to meet the personal and professional finance needs of predominantly medical, dental and accounting professionals. This enables these clients to maximise their personal wealth through cash management and investment opportunities.

An analysis of the private client loan portfolio and asset quality information is provided on pages 49 and 50.

Corporate Client Activities

We focus on traditional bank lending activities, as well as treasury and trading execution services that are customer flow related.

The treasury function, as part of the daily management of liquidity, places funds with central banks and other commercial banks and financial institutions. These market counterparties are highly rated, investment grade entities with credit risk of a systemic nature. A rigorous internal assessment process, supported by rating agency information, is undertaken to analyse each counterparty to which we may be potentially exposed to ascertain their creditworthiness.

Our trading portfolio consists of positions in interest rates, foreign exchange, commodities and equities. We maintain a thorough risk process that reviews and monitors all potential credit risks inherent in customer trading facilities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of counterparty default.

Within the corporate lending businesses, credit risk can arise from asset finance, power and infrastructure finance, resource finance, corporate loans, growth and acquisition finance, asset-based lending, debt origination, credit investments and securitisation activities. There are approved limits specifying the maximum exposure to each individual counterparty and industry limits, to minimise concentration risk. Facilities are secured on the assets of the underlying entity. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying cash flow and security. Political risk insurance is taken where deemed appropriate. There is also strong adherence to prudent country risk limits to manage concentration risk on an ongoing basis.

Assets we are involved in are diverse and centre around our areas of expertise including, resources, aircraft, equipment leasing corporate credit, power and infrastructure finance. Any assets originated are required to be of very strong credit quality that we are comfortable to hold on balance sheet to maturity, or purchased at sufficiently low distressed prices that we are happy to hold these assets on balance sheet to maturity because of low imputed loan to value ratios and strong cash flows.

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

- Small Ticket Asset Finance: provides lending to corporates to support asset purchases and other business requirements
- Large Ticket Asset Finance: provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior loans with a combination of corporate and asset-backed collateral against the exposure
- Power and Infrastructure Finance (PIF): arranges and provides typically long-term financing for infrastructure assets, such as power, transport, social infrastructure (PIF/private-public partnerships) and telecommunications against projected future cash flows of an individual project (or multiple) as well as the balance sheet of a corporate. The borrower is typically a special purpose company set up and owned by one or more equity investors known as 'sponsors'
- Resource Finance: debt arranging and underwriting, together with structured hedging solutions within the mining and oil and gas sectors. The underlying commodities are mainly precious and base metals, coal as well as oil and gas. The borrower in most cases is an established mining company or a subsidiary thereof. Any debt exposure is secured by the borrower's assets and repaid from mining cash flows which are subject to the volatility of the market prices for the underlying commodity as well as the successful extraction of resources
- Growth and Acquisition Finance: provides debt funding to proven management teams, running small to mid-cap sized companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation of the business. This will be based on historic and forecast information
- Asset-based Lending: provides working capital and business loans secured on collateral or assets used in the conduct of the business, for example, accounts receivable, inventory, plant and machinery. We also provide advances against cash flow or other assets such as committed income or rights
- Credit Investments: makes credit investments in the primary and secondary markets for both investment (accrual) and arbitrage purposes, generating annuity margin income and investment income. All investment transactions are approved in advance and subject to rigorous stress testing
- Securitisation: structuring and sale of financial assets, mostly in the form of sale to special purpose entities which issue securities to investors.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 49 and 50.

Corporate Advisory and Investment Banking Activities

Counterparty risk in this area is modest. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits.

Settlement trades are all on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension schemes and trusts. Wealth & Investment is entirely an agency business that takes no principal risk. Its core business is discretionary and non-discretionary investment management services.

Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, are monitored daily, and trades are usually settled within two days.

Asset Management

Investec Asset Management regularly transacts with well-known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a movement in the value of the underlying security in the unlikely event a counterparty fails. Direct cash placements follow our policy, as outlined above, of only being exposed to systemic banks of investment grade quality in Southern Africa, the UK, Europe and the US.

Asset quality analysis – credit risk classification and provisioning policy

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

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

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="3">Assets in default
(non-performing assets)</td><td rowspan="3">Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered:
• Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business
• Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue
• Nature and extent of claims by other creditors
• Amount and timing of expected cash flows
• Realisable value of security held (or other credit mitigants)
• Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.</td><td>Sub-standard</td><td>The counterparty is placed in 'sub-standard' when the credit exposure reflects an underlying, well-defined weakness that may lead to probable loss if not corrected:
• The risk that such credit exposure may become an impaired asset is probable
• The bank is relying, to a large extent, on available collateral, or
• The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital.

Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).</td></tr>
<tr><td>Doubtful</td><td>The counterparty is placed in 'doubtful' when the credit exposure is considered to be impaired, but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.</td></tr>
<tr><td>Loss</td><td>• A counterparty is placed in the 'loss category' when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or
• Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.</td></tr>
</table>

Investec has limited appetite for unsecured debt, preferring to mitigate risk through good quality tangible collateral

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Risk mitigants include any collateral item, netting and margining agreement, covenant or term and condition imposed on a transaction with the aim of reducing the credit risk inherent to that transaction.

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

An analysis of collateral is provided on page 51.

Where a transaction is supported by a bond or charge over property, the primary credit risk is still taken on the borrower. When applications for facilities to be secured by property are submitted to the relevant committee, the following characteristics of the property are considered: type of property; location of property; and the ease with which the property could be re-let and/or re-sold. Where the property is secured by lease agreements, the credit committee will attempt to lend for a maximum of the period of the lease.

The bulk of collateral provided by private clients is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

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

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

The majority of credit mitigation techniques linked to trading activity is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements). Where netting agreements have been signed and the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement, the exposures for all product categories covered by such agreements should be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

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

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

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

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

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

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

Further information on credit derivatives is provided on page 59.

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

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

Please refer to the credit quality step table disclosed on page 84 for a breakdown of regulatory exposure values before and after credit risk mitigation has been applied.

Credit and counterparty risk year in review

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

Further information is provided in the financial review on pages 13 to 16.

Against this backdrop, core loans and advances grew by 10.6% to R156.9 billion with residential owner-occupied and corporate portfolios representing the majority of the growth for the financial year in review.

There has been continuing adherence to conservative lending, while still facing greater competitive pressure on margins.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.89% to 1.46% with an improvement in both lending collateralised by property and the corporate client portfolio partly as some transactions have been settled and some written off.

The credit loss ratio improved to 0.42% from 0.61% as we saw stability in the level of new loans entering into current and default categories.

Our legacy default portfolio which largely relates to lending collateralised by property transactions, in certain areas, notably residential developments, continues to be managed down. However, this process does take time as we continue to focus on maximising recoveries.

Credit risk regulatory considerations

The regulatory environment in South Africa witnessed few changes in 2014 with increased clarity being provided to the banking industry by the regulator in the form of third tier legislation.

Investec Limited's capital holding in South Africa continues to comply with Basel III and the South African Banks Act, including the transitional arrangements in place as the full implementation of Basel III is phased in. While Basel III has had far-reaching impact in terms of liquidity and capital supply, the impact on credit risk capital is limited to relatively small, specific portfolios of assets, specifically over-the-counter (OTC) derivatives and securitisation exposure.

Investec, together with other major banks, continues to engage with SARB through the Banking Association of South Africa (BASA) and bilaterally on matters of interpretation, particularly in light of the delay in the implementation of Basel III in the US and Europe. We are also actively engaged in formulating our recovery and resolution plan in line with requirements being drafted under the proposed recovery and resolution regime (RRR). The market eagerly awaits the first iteration of the RRR in order to ascertain what potential impacts there could be as a result of this new legislation.

In addition, we continue to actively participate in the bi-annual Basel III implementation quantitative impact study. This assessment performed by the major banks in the country is then fed back to the Bank for International Settlements (BIS) in order for them to gauge the extent and success of the implementation of the Basel III regulations across the globe.

The regulatory landscape continues to evolve. The BIS has issued a number of consultative documents for comment during the past year, many revisiting at various sections of the capital framework in an effort to eliminate opportunities for capital arbitrage. Examples include the fundamental review of the trading book which closely examines the market risk framework and capital charge, proposed amendments to the securitisation framework and a revised standardised approach to calculating counterparty credit risk. In line with Investec's prudent risk management and governance frameworks, we will continue to engage with the regulator and industry bodies as we seek to adopt market best practice in accordance with these and any other regulatory amendments.

Credit and counterparty risk information

Pages 25 to 35 describe where and how credit risk is assumed in our operations.

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

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 11.7% to R347.0 billion largely as a result of an increase in core loans and advances and cash and near cash balances. Cash and near cash balances increased by 15.8% to R84.5 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.

R'million	31 March 2014	31 March 2013	% change	Average*
Cash and balances at central banks	5 927	5 677	4.4%	5 802
Loans and advances to banks	35 169	25 376	38.6%	30 273
Non-sovereign and non-bank cash placements	9 045	5 875	54.0%	7 460
Reverse repurchase agreements and cash collateral on securities borrowed	8 419	15 846	(46.9%)	12 133
Sovereign debt securities	34 815	33 730	3.2%	34 273
Bank debt securities	22 355	20 969	6.6%	21 662
Other debt securities	10 112	7 006	44.3%	8 559
Derivative financial instruments	11 881	11 702	1.5%	11 792
Securities arising from trading activities	737	1 179	(37.5%)	958
Loans and advances to customers (gross)	150 601	137 081	9.9%	143 841
Own originated loans and advances to customers (gross)	7 520	6 136	22.6%	6 828
Other loans and advances (gross)	597	684	(12.7%)	641
Other securitised assets	157	–	100%	79
Other assets	595	831	(28.4%)	713
Total on-balance sheet exposures	297 930	272 092	9.5%	285 011
Guarantees^	10 826	7 249	49.3%	9 038
Contingent liabilities, committed facilities and other	38 242	31 413	21.7%	34 828
Total off-balance sheet exposures	49 068	38 662	26.9%	43 865
Total gross credit and counterparty exposures pre-collateral or other credit enhancements or other credit enhancements	346 998	310 754	11.7%	328 876

* *Where the average is based on a straight-line average for period 1 April 2013 to 31 March 2014.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

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

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

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2014				
Cash and balances at central banks	5 927	–		5 927
Loans and advances to banks	35 169	–		35 169
Non-sovereign and non-bank placements	9 045	–		9 045
Reverse repurchase agreements and cash collateral on securities borrowed	8 419	–		8 419
Sovereign debt securities	34 815	–		34 815
Bank debt securities	22 355	–		22 355
Other debt securities	10 112	–		10 112
Derivative financial instruments	11 881	418		12 299
Securities arising from trading activities	737	4 238		4 975
Investment portfolio	–	8 657	1	8 657
Loans and advances to customers	150 601	(1 247)	2	149 354
Own originated loans and advances to customers	7 520	(4)	2	7 516
Other loans and advances	597	(45)	2	552
Other securitised assets	157	1 811	3	1 968
Interest in associated undertakings	–	52		52
Deferred taxation assets	–	457		457
Other assets	595	5 330	4	5 925
Property and equipment	–	752		752
Investment properties	–	7 857		7 857
Goodwill	–	118		118
Intangible assets	–	102		102
Non-current assets classified as held for sale	–	731		731
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	102 934		102 934
Total on-balance sheet exposures	**297 930**	**132 161**		**430 091**

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 52 to 54.*
2. *Largely relates to impairments.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

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

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 31 March 2013				
Cash and balances at central banks	5 677	–		5 677
Loans and advances to banks	25 376	–		25 376
Non-sovereign and non-bank cash placements	5 875	–		5 875
Reverse repurchase agreements and cash collateral on securities borrowed	15 846	–		15 846
Sovereign debt securities	33 730	–		33 730
Bank debt securities	20 969	–		20 969
Other debt securities	7 006	–		7 006
Derivative financial instruments	11 702	457		12 159
Securities arising from trading activities	1 179	2 419		3 598
Investment portfolio	–	8 202	1	8 202
Loans and advances to customers	137 081	(1 348)	2	135 733
Own originated loans and advances to customers	6 136	(6)	2	6 130
Other loans and advances	684	(12)	2	672
Other securitised assets	–	1 584	3	1 584
Interest in associated undertakings	–	45		45
Deferred taxation assets	–	531		531
Other assets	831	7 613	4	8 444
Property and equipment	–	644		644
Investment properties	–	6 147		6 147
Goodwill	–	145		145
Intangible assets	–	90		90
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	86 893		86 893
Total on-balance sheet exposures	272 092	113 404		385 496

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 52 and 54.*
2. *Largely relates to impairments.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity at 31 March 2014

R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to ten years	>ten years	Total
Cash and balances at central banks	5 927	–	–	–	–	–	5 927
Loans and advances to banks	33 398	18	286	1 467	–	–	35 169
Non-sovereign and non-bank cash placements	9 045	–	–	–	–	–	9 045
Reverse repurchase agreements and cash collateral on securities borrowed	5 559	35	428	1 084	776	537	8 419
Sovereign debt securities	9 168	7 773	8 469	2 181	7 224	–	34 815
Bank debt securities	1 035	3 978	4 459	10 774	1 292	817	22 355
Other debt securities	–	–	–	3 773	5 438	901	10 112
Derivative financial instruments	1 696	668	1 203	4 752	2 012	1 550	11 881
Securities arising from trading activities	40	–	2	357	120	218	737
Loans and advances to customers (gross)	15 511	4 865	11 956	69 864	16 225	32 180	150 601
Own originated loans and advances to customers (gross)	4	6	–	33	588	6 889	7 520
Other loans and advances (gross)	1	1	2	59	157	377	597
Other securitised assets	–	–	–	–	–	157	157
Other assets	594	1	–	–	–	–	595
Total on-balance sheet exposures	81 978	17 345	26 805	94 344	33 832	43 626	297 930
Guarantees^	1 582	703	263	5 073	733	2 472	10 826
Contingent liabilities, committed facilities and other	5 789	770	3 105	10 273	1 421	16 884	38 242
Total off-balance sheet exposures	7 371	1 473	3 368	15 346	2 154	19 356	49 068
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	89 349	18 818	30 173	109 690	35 986	62 982	346 998

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

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Lending collateralised by property largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
At 31 March 2014						
Cash and balances at central banks	–	–	–	–	5 927	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	–	24	17	484
Reverse repurchase agreements and cash collateral on securities borrowed	485	–	–	20	–	–
Sovereign debt securities	–	–	–	–	34 815	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	304	–	–
Derivative financial instruments	61	–	9	85	–	52
Securities arising from trading activities	–	–	–	4	397	–
Loans and advances to customers (gross)	63 722	35 515	823	3 119	918	5 173
Own originated loans and advances to customers (gross)	7 520	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other securitised assets	–	–	–	–	157	–
Other assets	–	–	–	1	300	–
Total on-balance sheet exposures	71 788	35 515	832	3 557	42 531	5 709
Guarantees^	2 361	1 518	–	158	843	33
Contingent liabilities, committed facilities and other	23 163	5 946	588	2 868	7	613
Total off-balance sheet exposures	25 524	7 464	588	3 026	850	646
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	97 312	42 979	1 420	6 583	43 381	6 355
At 31 March 2013						
Cash and balances at central banks	–	–	–	–	5 677	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	100	–	–	337
Reverse repurchase agreements and cash collateral on securities borrowed	413	–	–	119	–	–
Sovereign debt securities	–	–	–	–	33 730	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	148	–	–
Derivative financial instruments	98	–	1	24	–	53
Securities arising from trading activities	–	–	–	4	307	–
Loans and advances to customers (gross)	51 767	41 162	1 048	1 959	869	5 631
Own originated loans and advances to customers (gross)	6 135	1	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	1	–	–	–	–	–
Total on-balance sheet exposures	58 414	41 163	1 149	2 254	40 583	6 021
Guarantees^	2 245	1 444	–	163	1	12
Contingent liabilities, committed facilities and other	19 607	5 382	200	95	–	625
Total off-balance sheet exposures	21 852	6 826	200	258	1	637
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	80 266	47 989	1 349	2 512	40 584	6 658

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

Finance and insurance	Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	–	5 927
35 169	–	–	–	–	–	–	–	–	–	35 169
2 000	1 682	2 063	240	–	–	541	–	1 803	191	9 045
6 827	–	1 008	–	–	–	–	–	79	–	8 419
–	–	–	–	–	–	–	–	–	–	34 815
22 355	–	–	–	–	–	–	–	–	–	22 355
4 841	–	–	–	–	–	2 226	–	1 547	1 194	10 112
10 113	247	469	5	–	607	138	11	84	–	11 881
148	–	149	–	–	–	–	–	39	–	737
4 978	2 921	8 468	2 443	–	6 756	5 123	799	4 801	5 042	150 601
–	–	–	–	–	–	–	–	–	–	7 520
–	–	–	–	597	–	–	–	–	–	597
–	–	–	–	–	–	–	–	–	–	157
294	–	–	–	–	–	–	–	–	–	595
86 725	4 850	12 157	2 688	597	7 363	8 028	810	8 353	6 427	297 930
2 539	1 325	110	–	–	1	1 713	197	20	8	10 826
250	772	628	31	–	112	1 816	685	634	129	38 242
2 789	2 097	738	31	–	113	3 529	882	654	137	49 068
89 514	6 947	12 895	2 719	597	7 476	11 557	1 692	9 007	6 564	346 998
–	–	–	–	–	–	–	–	–	–	5 677
25 376	–	–	–	–	–	–	–	–	–	25 376
1 840	1 259	1 322	33	–	–	579	–	264	141	5 875
14 687	–	559	–	–	–	–	–	68	–	15 846
–	–	–	–	–	–	–	–	–	–	33 730
20 969	–	–	–	–	–	–	–	–	–	20 969
5 865	175	–	–	–	–	597	–	221	–	7 006
10 081	108	89	–	–	1 112	67	–	68	1	11 702
568	96	–	–	–	–	119	–	85	–	1 179
6 211	2 690	7 234	903	–	5 169	3 787	1 398	3 479	3 774	137 081
–	–	–	–	–	–	–	–	–	–	6 136
684	–	–	–	–	–	–	–	–	–	684
828	–	–	–	–	–	2	–	–	–	831
87 109	4 328	9 204	936	–	6 281	5 151	1 398	4 185	3 916	272 092
16	493	192	1 110	–	–	1 379	178	16	–	7 249
–	242	399	10	–	523	2 077	257	978	1 018	31 413
16	735	591	1 120	–	523	3 456	435	994	1 018	38 662
87 125	5 063	9 795	2 056	–	6 804	8 607	1 833	5 179	4 934	310 754

Private client loans account for 45.1% of total gross core loans and advances, as represented by the industry classification 'HNW and professional individuals'

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending we undertake is provided on page 30, and a more detailed analysis of the private client loan portfolio is provided on pages 49 and 50.

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

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

A description of the type of corporate client lending we undertake is provided on page 31, and a more detailed analysis of the corporate client loan portfolio is provided on pages 49 and 50.

At 31 March	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million	2014	2013	2014	2013	2014	2013
HNW and professional individuals	71 242	57 902	26 070	22 364	97 312	80 266
Lending collateralised by property largely to private clients	35 515	41 163	7 464	6 826	42 979	47 989
Agriculture	823	1 048	597	301	1 420	1 349
Electricity, gas and water (utility services)	3 119	1 959	3 464	553	6 583	2 512
Public and non-business services	918	869	42 463	39 715	43 381	40 584
Business services	5 173	5 631	1 182	1 027	6 355	6 658
Finance and insurance	4 978	6 211	84 536	80 914	89 514	87 125
Retailers and wholesalers	2 921	2 690	4 026	2 373	6 947	5 063
Manufacturing and commerce	8 468	7 234	4 427	2 561	12 895	9 795
Construction	2 443	903	276	1 153	2 719	2 056
Other residential mortgages	–	–	597	–	597	–
Corporate commercial real estate	6 756	5 169	720	1 635	7 476	6 804
Mining and resources	5 123	3 787	6 434	4 820	11 557	8 607
Leisure, entertainment and tourism	799	1 398	893	435	1 692	1 833
Transport	4 801	3 479	4 206	1 700	9 007	5 179
Communication	5 042	3 774	1 522	1 160	6 564	4 934
Total	158 121	143 217	188 877	167 537	346 998	310 754

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

Core loans and advances comprise:

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

At 31 March R'million	2014	2013
Loans and advances to customers as per the balance sheet	149 354	135 733
Add: own originated loans and advances securitised as per the balance sheet	7 516	6 130
Net core loans and advances to customers	156 870	141 863

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

An overview of developments during the financial year is provided on page 35.

R'million	31 March 2014	31 March 2013
Gross core loans and advances to customers	158 121	143 217
Total impairments	(1 251)	(1 354)
Portfolio impairments	(174)	(123)
Specific impairments	(1 077)	(1 231)
Net core loans and advances to customers	156 870	141 863
Average gross core loans and advances to customers	150 669	136 638
Current loans and advances to customers	153 166	137 646
Past due loans and advances to customers (1 – 60 days)	746	669
Special mention loans and advances to customers	668	862
Default loans and advances to customers	3 541	4 040
Gross core loans and advances to customers	158 121	143 217
Current loans and advances to customers	153 166	137 646
Default loans that are current and not impaired	162	61
Gross core loans and advances to customers that are past due but not impaired	2 211	2 559
Gross core loans and advances to customers that are impaired	2 582	2 951
Gross core loans and advances to customers	158 121	143 217
Total income statement charge for impairments on core loans and advances	(636)	(833)
Gross default loans and advances to customers	3 541	4 040
Specific impairments	(1 077)	(1 231)
Portfolio impairments	(174)	(123)
Defaults net of impairments	2 290	2 686
Collateral and other credit enhancements	3 549	3 880
Net default loans and advances to customers (limited to zero)	–	–
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.79%	0.95%
Total impairments as a % of gross default loans	35.33%	33.51%
Gross defaults as a % of gross core loans and advances to customers	2.24%	2.82%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.46%	1.89%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.42%	0.61%

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

At 31 March R'million	2014	2013
Default loans that are current	784	622
1 – 60 days	1 161	1 431
61 – 90 days	241	291
91 – 180 days	457	286
181 – 365 days	585	384
>365 days	1 727	2 557
Past due and default core loans and advances to customers (actual capital exposure)	4 955	5 571
1 – 60 days	235	721
61 – 90 days	29	61
91 – 180 days	106	70
181 – 365 days	470	170
>365 days	1 425	2 151
Past due and default core loans and advances to customers (actual amount in arrears)	2 265	3 173

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 31 March 2014							
Watchlist loans neither past due nor impaired							
Total capital exposure	162	–	–	–	–	–	162
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 014	173	277	326	421	2 211
Amount in arrears	–	192	18	39	246	298	793
Gross core loans and advances to customers that are impaired							
Total capital exposure	622	147	68	180	259	1 306	2 582
Amount in arrears	–	43	11	67	224	1 127	1 472
At 31 March 2013							
Watchlist loans neither past due nor impaired							
Total capital exposure	61	–	–	–	–	–	61
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 335	289	179	153	603	2 559
Amount in arrears	–	686	61	54	92	449	1 342
Gross core loans and advances to customers that are impaired							
Total capital exposure	561	96	2	107	231	1 954	2 951
Amount in arrears	–	35	–	16	78	1 702	1 831

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (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)	–	746	–	–	–	–	746
Special mention	–	241	151	3	214	59	668
Special mention (1 – 90 days)	–	241	23	3*	214*	59*	540
Special mention (61 – 90 days and item well secured)	–	–	128	–	–	–	128
Default	784	174	90	454	371	1 668	3 541
Sub-standard	162	29	25	274	112	363	965
Doubtful	622	145	65	180	259	1 305	2 576
Total	784	1 161	241	457	585	1 727	4 955

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (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)	–	78	–	–	–	–	78
Special mention	–	113	17	1	187	9	327
Special mention (1 – 90 days)	–	113	3	1*	187*	9*	313
Special mention (61 – 90 days and item well secured)	–	–	14	–	–	–	14
Default	–	44	12	105	283	1 416	1 860
Sub-standard	–	1	1	38	59	287	386
Doubtful	–	43	11	67	224	1 129	1 474
Total	–	235	29	106	470	1 425	2 265

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

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (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)	–	669	–	–	–	–	669
Special mention	–	534	194	20	79	35	862
Special mention (1 – 90 days)	–	534	74	20*	79*	35*	742
Special mention (61 – 90 days and item well secured)	–	–	120	–	–	–	120
Default	622	228	97	266	305	2 522	4 040
Sub-standard	61	132	95	162	74	568	1 092
Doubtful	561	96	2	104	231	1 954	2 948
Total	622	1 431	291	286	384	2 557	5 571

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (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)	–	173	1	–	–	–	174
Special mention	–	490	38	1	73	7	609
Special mention (1 – 90 days)	–	490	18	1*	73*	7*	589
Special mention (61 – 90 days and item well secured)	–	–	20	–	–	–	20
Default	–	58	22	69	97	2 144	2 390
Sub-standard	–	23	22	55	20	442	562
Doubtful	–	35	–	14	77	1 702	1 828
Total	–	721	61	70	170	2 151	3 173

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

An analysis of core loans and advances to customers

R'million	Gross core loans and advances that are 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 31 March 2014								
Current core loans and advances	153 166	–	–	153 166	–	(160)	153 006	–
Past due (1 – 60 days)	–	746	–	746	–	(4)	742	78
Special mention	–	668	–	668	–	(10)	658	327
Special mention (1 – 90 days)	–	540	–	540	–	(9)	531	313
Special mention (61 – 90 days and item well secured)	–	128	–	128	–	(1)	127	14
Default	162	797	2 582	3 541	(1 077)	–	2 464	1 860
Sub-standard	162	797	6	965	–	–	965	386
Doubtful	–	–	2 576	2 576	(1 077)	–	1 499	1 474
Total	153 328	2 211	2 582	158 121	(1 077)	(174)	156 870	2 265
At 31 March 2013								
Current core loans and advances	137 646	–	–	137 646	–	(111)	137 535	–
Past due (1 – 60 days)	–	669	–	669	–	(2)	667	174
Special mention	–	862	–	862	–	(10)	852	609
Special mention (1 – 90 days)	–	742	–	742	–	(9)	733	589
Special mention (61 – 90 days and item well secured)	–	120	–	120	–	(1)	119	20
Default	61	1 028	2 951	4 040	(1 231)	–	2 809	2 390
Sub-standard	61	1 028	3	1 092	–	–	1 092	562
Doubtful	–	–	2 948	2 948	(1 231)	–	1 717	1 828
Total	137 707	2 559	2 951	143 217	(1 231)	(123)	141 863	3 173

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

R'million	Private client, professional and HNW individuals	Corporate sector	Banking, insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 31 March 2014						
Current core loans and advances	102 743	41 829	4 797	917	2 880	153 166
Past due (1 – 60 days)	486	200	–	–	60	746
Special mention	666	–	–	–	2	668
Special mention (1 – 90 days)	540	–	–	–	–	540
Special mention (61 – 90 days and item well secured)	126	–	–	–	2	128
Default	2 862	390	183	–	106	3 541
Sub-standard	774	3	183	–	5	965
Doubtful	2 088	387	–	–	101	2 576
Total gross core loans and advances to customers	106 757	42 419	4 980	917	3 048	158 121
Total impairments	(988)	(180)	(2)	(1)	(80)	(1 251)
Specific impairments	(869)	(128)	–	–	(80)	(1 077)
Portfolio impairments	(119)	(52)	(2)	(1)	–	(174)
Net core loans and advances to customers	105 769	42 239	4 978	916	2 968	156 870
At 31 March 2013						
Current core loans and advances	92 963	35 750	5 930	869	2 134	137 646
Past due (1 – 60 days)	448	117	–	–	104	669
Special mention	813	40	–	–	9	862
Special mention (1 – 90 days)	702	40	–	–	–	742
Special mention (61 – 90 days and item well secured)	111	–	–	–	9	120
Default	3 238	420	281	–	101	4 040
Sub-standard	986	103	–	–	3	1 092
Doubtful	2 252	317	281	–	98	2 948
Total gross core loans and advances to customers	97 462	36 327	6 211	869	2 348	143 217
Total impairments	(1 149)	(133)	(4)	–	(68)	(1 354)
Specific impairments	(1 052)	(111)	–	–	(68)	(1 231)
Portfolio impairments	(97)	(22)	(4)	–	–	(123)
Net core loans and advances to customers	96 313	36 194	6 207	869	2 280	141 863

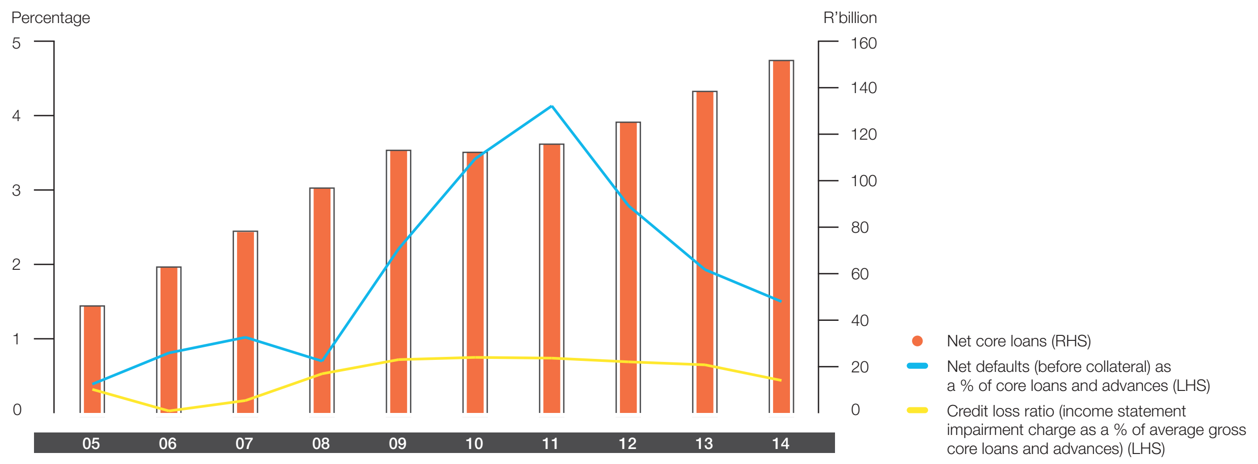
An analysis of core loans and advances by risk category at 31 March 2014

R'million	Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Income statement impairments
Lending collateralised by property	35 515	1 844	1 716	(694)	(197)
Commercial real estate	32 571	749	899	(237)	(67)
Commercial real estate – investment	28 949	516	636	(168)	(32)
Commercial real estate – development	1 846	–	–	(3)	(16)
Commercial vacant land and planning	1 776	233	263	(66)	(19)
Residential real estate	2 944	1 095	817	(457)	(130)
Residential development	1 231	328	324	(50)	(46)
Residential vacant land and planning	1 713	767	493	(407)	(84)
High net worth and other private client lending	71 242	1 018	1 208	(294)	(356)
Mortgages	43 105	619	819	(118)	(90)
High net worth and specialised lending	28 137	399	389	(176)	(266)
Corporate and other lending	51 364	679	625	(263)	(83)
Leveraged finance and corporate loans	12 188	527	557	(100)	8
Asset-based lending	3 050	106	55	(80)	(35)
Other corporate and financial institutions and governments	28 739	46	13	(75)	39
Asset finance	3 519	–	–	(8)	(9)
Small ticket asset finance	1 007	–	–	–	–
Large ticket asset finance	2 512	–	–	(8)	(9)
Project finance	3 220	–	–	–	(86)
Resource finance	648	–	–	–	–
Total	158 121	3 541	3 549	(1 251)	(636)

An analysis of core loans and advances by risk category at 31 March 2013

R'million	Gross core loans	Gross defaults	Collateral	Balance sheet impairments
Lending collateralised by property	41 162	2 275	2 138	(764)
Commercial real estate	38 034	1 095	1 218	(310)
Commercial real estate – investment	33 780	935	1 080	(228)
Commercial real estate – development	2 158	14	8	(9)
Commercial vacant land and planning	2 096	146	130	(73)
Residential real estate	3 128	1 180	920	(454)
Residential development	1 130	100	80	(36)
Residential vacant land and planning	1 998	1 080	840	(418)
High net worth and other private client lending	57 902	966	1 160	(264)
Mortgages	37 585	688	816	(166)
High net worth and specialised lending	20 317	278	344	(98)
Corporate and other client lending	44 153	799	582	(326)
Leveraged finance and corporate loans	15 181	408	317	(136)
Asset-based lending	2 351	101	36	(68)
Other corporate and financial institutions and governments	18 550	173	100	(105)
Asset finance	3 320	–	–	(6)
Small ticket asset finance	1 010	–	–	–
Large ticket asset finance	2 310	–	–	(6)
Project finance	2 636	117	129	(11)
Resource finance	2 115	–	–	–
Total	143 217	4 040	3 880	(1 354)

Asset quality trends



Collateral

A summary of total collateral is provided in the table below

R'million	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2014			
Eligible financial collateral	25 949	13 547	39 496
Listed shares	24 725	13 545	38 270
Cash	1 224	2	1 226
Mortgage bonds	211 125	631	211 756
Residential mortgages	105 588	552	106 140
Commercial property development	6 323	79	6 402
Commercial property investments	99 214	–	99 214
Other collateral	75 252	1 497	76 749
Unlisted shares	29 784	782	30 566
Bonds other than mortgage bonds	8 622	–	8 622
Debtors, stock and other corporate assets	9 922	–	9 922
Guarantees	12 136	157	12 293
Other	14 788	558	15 346
Total collateral	312 326	15 675	328 001
At 31 March 2013			
Eligible financial collateral	29 465	2 896	32 361
Listed shares	27 564	2 866	30 430
Cash	1 901	30	1 931
Mortgage bonds	173 083	24	173 107
Residential mortgages	83 784	–	83 784
Commercial property development	9 665	24	9 689
Commercial property investments	79 634	–	79 634
Other collateral	51 237	1 446	52 683
Unlisted shares	14 454	–	14 454
Bonds other than mortgage bonds	6 735	471	7 206
Debtors, stock and other corporate assets	4 977	–	4 977
Guarantees	10 616	717	11 333
Other	14 455	258	14 713
Total collateral	253 785	4 366	258 151

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

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

Equity and investment risk in the banking book

Equity and investment risk description

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

- Principal Investments (Private Equity and Direct Investments): investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio with the intention to stimulate corporate activity. In South Africa, we also continue to pursue opportunities to help create and grow black-owned and controlled companies
- Lending transactions: the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- Property Activities: we source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- Central Funding: Central Funding is the custodian of certain equity and property investments, which have largely arisen from corporate acquisitions made, notably in the early 2000s.

Management of equity and investment risk

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

Nature of equity and investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment committee, the Investec Bank Limited Direct Investments division investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Investment and trading properties	Investment committee, Investec Property group investment committee in South Africa and ERRF
Central Funding investments	Investment committee and ERRF

Stress-testing scenario analyses are performed regularly and reported to ERRF, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 122 and 123 and pages 145 to 152 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 2.3% of total assets.

Refer to page 145 for further information.

Risk management and corporate governance

03

Risk management (continued)

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

For the year to 31 March R'million	Income (pre-funding costs) Unrealised	Realised	Dividends	Total	Fair value through equity
2014					
Unlisted investments	8	93	660	761	–
Listed equities^	7	53	3	63	7
Investment and trading properties^	172	114	–	286	–
Warrants, profit shares and other embedded derivatives	(22)	129	–	107	–
Total	165	389	663	1 217	7
2013					
Unlisted investments	26	490	159	675	–
Listed equities	(357)	199	4	(154)	26
Investment and trading properties^	(132)	814	–	682	–
Warrants, profit shares and other embedded derivatives	43	38	–	81	–
Total	(420)	1 541	163	1 284	26

^ *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 44.3%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

Unrealised revaluation gains through profit and loss are included in tier 1 capital. Investec Limited continues to exclude revaluation gains posted directly to equity from their capital position.

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 2014	Valuation change stress test 2014*	On-balance sheet value of investments 2013	Valuation change stress test 2013*
Unlisted investments**	8 563	1 285	7 609	1 141
Listed equities**	825	206	593	148
Investment and trading properties^^	6 615	829	6 141	803
Warrants, profit shares and other embedded derivatives	417	146	459	160
Total	16 420	2 466	14 802	2 252

** *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 44.3%.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress-testing parameters are applied:*

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

An analysis of the principal investment portfolio by industry of exposure

Stress testing summary

Based on the information at 31 March 2014, as reflected above we could have a R2.5 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period.

Capital requirements

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

Refer to page 79 for further detail.

Securitisation/structured credit activities exposures

Overview

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

Refer to page 37 for the balance sheet and credit risk classification.

The bank applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 31 March 2014 are not regarded as material, and therefore no further information is disclosed for these exposures.

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

Our securitisation business was established over 10 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 Grayston Conduit 1 (RF) Limited Series 1, Series 2 and Private Mortgages 1. These facilities, which totalled R1.3 billion at 31 March 2014 (31 March 2013: R1.1 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis.

Refer to pages 55 and 56.

These exposures are risk-weighted for regulatory capital purposes. The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been rated instruments within the UK and Europe, totalling R3.5 billion at 31 March 2014 (31 March 2013: R3.3 billion). These investments are risk-weighted for regulatory capital purposes.

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

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

Total assets that have been originated and securitised by the Private Client division amount to R7.5 billion at 31 March 2014 (31 March 2013: R6.1 billion) and consist of residential mortgages (R7.5 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R20.6 million and loans less than 90 days in arrears amounted to R5.7 million. During June 2013, Private Residential Mortgages (RF) Limited – Series 2 (PRM2) refinanced for approximately R0.83 billion with the full R3.46 billion having a scheduled maturity date in June 2014. Private Residential Mortgages (PRF) Limited – Series 1 (PRM1) was refinanced internally for R2.0 billion in February 2014.

During the year we arranged two new Investec Private Client originated residential mortgage securitisation transactions, namely, Fox Street 1 (RF) Limited (FS1 for R1.47 billion), and Fox Street 2 (RF) Limited (FS2 for R1.47 billion). These two RMBS transactions were structured as amortising transactions. We wound down series 4 of our ABCP Grayston Conduit 1 (RF) Limited (GC4).

The PRM2 securitisation structure is rated by Moody's. FS1 and FS2 are rated by Fitch. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for regulatory capital purposes. The group has retained an investment in all of these transactions. In terms of current securitisation rules, the group cannot act as liquidity provider to these transactions, and thus the liquidity provider role is fulfilled by other local banks, or as is the case with FS1 and FS2, the special purpose entity has an internal liquidity reserve that has been funded. Credit mitigants have not been used in these transactions. An exemption notice in terms of securitisation rules has been applied for in relation to all the transactions.

For regulatory capital purposes, the majority of these transactions are treated as deductions against capital. The group has no resecuritisation exposures in South Africa.

Accounting policies

Refer to page 122.

Risk management

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

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 25.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.
In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities.

At 31 March Nature of exposure/activity	Exposure 2014 R'million	Exposure 2013 R'million	Internal balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit*	3 813	3 695	Other debt securities and other loans and advances	
Rated	3 520	3 308		
Unrated	293	387		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised)	552	672	Other loans and advances	
Private Client division assets which have been securitised	7 516	6 130	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 43
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	1 305	1 122	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank	

***Analysis of structured rated and unrated credit**

At 31 March R'million	2014			2013		
	Rated**	Unrated	Total	Rated**	Unrated	Total
US corporate loans	32	11	43	27	30	57
UK and European RMBS	2 891	–	2 891	2 812	11	2 823
UK and European CMBS	1	–	1	83	–	83
UK and European corporate loans	–	282	282	–	346	346
Australian RMBS	365	–	365	386	–	386
South African RMBS	74	–	74	–	–	–
South African CMBS	157	–	157	–	–	–
Total	3 520	293	3 813	3 308	387	3 695

** *Analysed further on page 56.*

****Further analysis of rated structured credit at 31 March 2014**

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	–	32	–	–	32
UK and European RMBS	–	537	869	1 249	236	–	–	2 891
UK and European CMBS	–	–	–	1	–	–	–	1
Australian RMBS	–	221	–	144	–	–	–	365
South African RMBS	–	74	–	–	–	–	–	74
South African CMBS	–	157	–	–	–	–	–	157
Total at 31 March 2014	–	989	869	1 394	268	–	–	3 520
Total at 31 March 2013	–	619	1 379	921	370	19	–	3 308

Market risk in the trading book

Traded market risk description

Traded market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The market risk management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel and policies determined by the board.

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

Traded market risk governance structure

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A global market risk forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global market risk forum and ratified at the ERRF in accordance with the risk appetite defined by the board. Limits are reviewed at least annually or in the event of a significant market event (e.g. 11 September 2001) or at the discretion of senior management.

Management and measurement of traded market risk

Market risk management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk.

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

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

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

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

All VaR models, while forward looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'back-testing breach' is considered to have occurred.

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

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

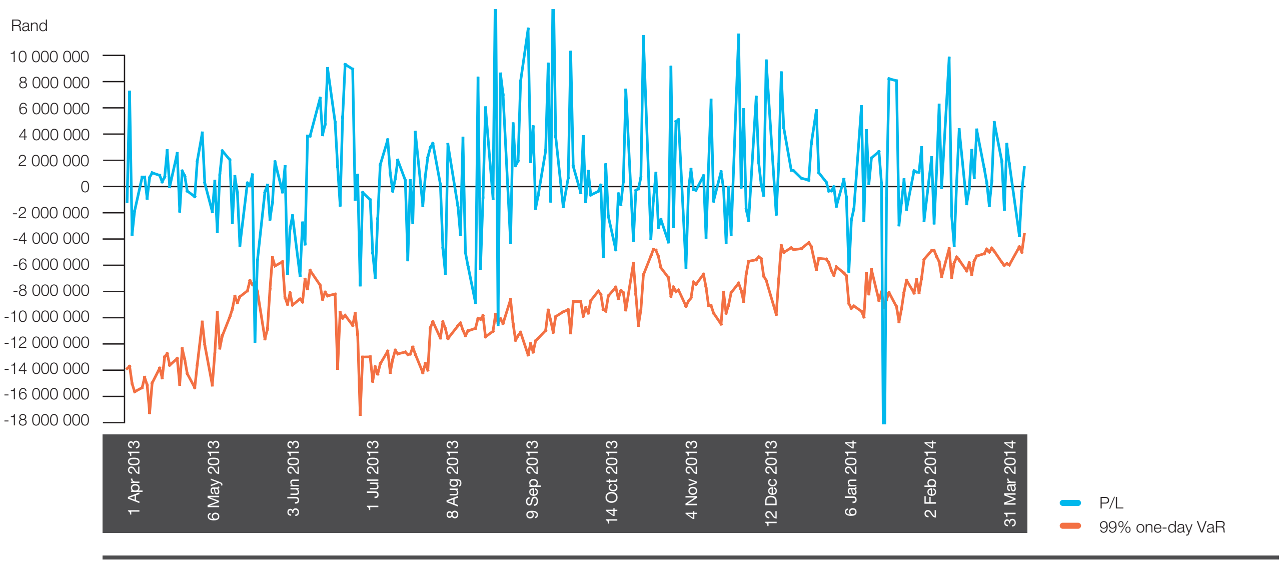
VaR

	31 March 2014				31 March 2013			
R'million	Year end	Average	High	Low	Year end	Average	High	Low
95% (one-day)								
Commodities	0.5	0.1	0.5	–	–	0.1	0.6	–
Equities	1.7	4.3	8.9	0.5	6.1	3.1	7.5	1.0
Foreign exchange	1.9	2.5	7.2	1.1	3.4	2.1	6.0	0.4
Interest rates	1.3	2.2	6.0	0.7	1.1	2.4	7.2	0.9
Consolidated*	2.8	5.3	9.3	1.7	7.2	4.9	10.9	2.3

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

VaR for 2014 in the South African trading book was lower than for 2013, this was due to reducing the risk profile in uncertain markets. Using hypothetical (clean) profit and loss data for back-testing resulted in three exceptions (as shown in the graph below), which is in line with the number of exceptions that a 99% VaR implies. The exceptions were due to normal trading losses; the loss in January was due to a surprise rate hike. Using actual profit and loss resulted in two exceptions which is in line with expectations.

99% one-day VaR backtesting



Risk management and corporate governance

03

ETL – 95/(one day)

For the year to 31 March R'million	2014	2013
Commodities	0.5	–
Equities	2.7	9.3
Foreign exchange	2.7	4.6
Interest rates	1.9	2.6
Consolidated**	4.0	10.5

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

Stress testing

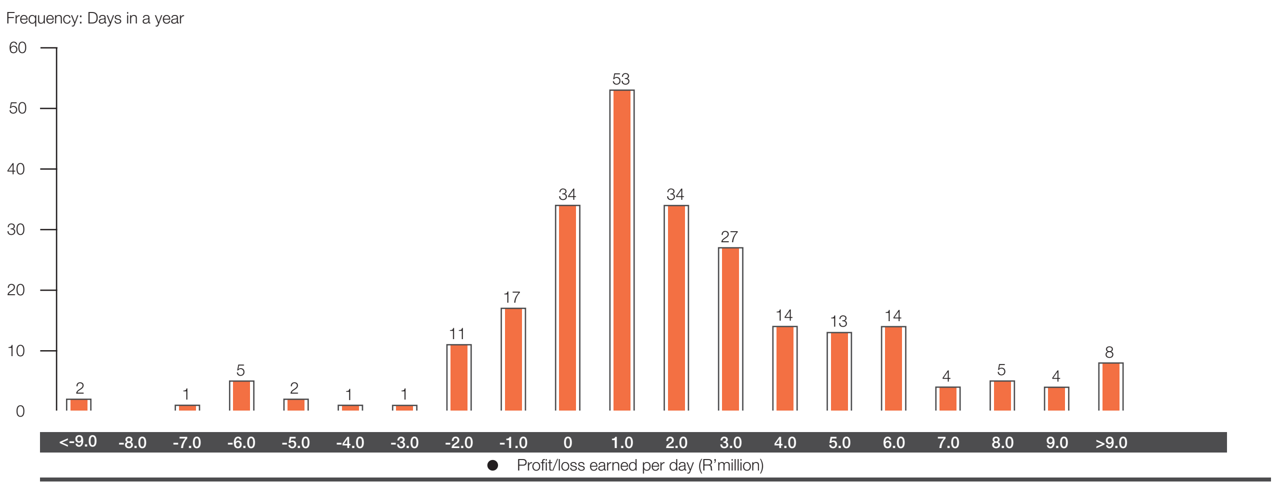
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers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

	31 March 2014				31 March 2013
R'million	Year end	Average	High	Low	Year end
99% (using 99% EVT)					
Commodities	1.6	0.6	2.9	–	–
Equities	6.8	20.4	46.0	3.7	41.2
Foreign exchange	12.9	10.7	22.6	5.3	13.7
Interest rates	6.6	27.7	74.1	5.4	23.9
Consolidated	16.0	29.8	65.0	9.0	45.4

Profit and loss histogram

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 176 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year to 31 March 2014 was R1.4 million (2013: R1.3 million).

Profit and loss



Traded market risk mitigation

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are reconciled daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 510 days of unweighted data), where every 'risk factor' is exposed to daily moves over the past two years. With the equity markets, for example, every share and index is considered independently as opposed to techniques where proxies are used.

Non-statistical limits include product limits, tenor, notional, liquidity, buckets and option sensitivities (greeks). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

It is risk policy that any significant open position in a foreign currency is held in the trading book. These positions are managed within approved limits and monitored within VaR models.

Traded market risk year in review

Market moves in South Africa have been largely driven by events in international markets. Uncertain markets as well as the drop in volumes of trade has caused traders to reduce risks in their trading books. In particular Equity Index derivatives trade saw a substantial drop in volumes causing traders to drastically cut the amount of risk taken in these instruments.

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 156.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure and risk mitigation

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

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

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

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Geographic entities have no responsibility for contributing to group liquidity.

The ALCOs typically comprise the managing director, the head of risk, the head of corporate and institutional banking activities, economists, divisional heads, the balance sheet risk management team, the treasurer, business heads, and any appropriate co-opted personnel. The ALCOs formally meet on a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The central treasury function within each region is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The treasurers are required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The central treasury, by core geography, directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The central treasury functions are the sole interface to the wholesale market for both cash and derivative transactions.

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

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

Scenario modelling and rigorous daily liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios. These assume the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The parameters used in the scenarios are reviewed regularly, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of economic event risk on cash flows, liquidity, profitability and solvency position, so as to maintain sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite.

The integrated balance sheet risk management framework is based on similar methodologies to those contemplated under the Basel Committee on Banking Supervision's (BCBS) 'liquidity risk measurement standards and monitoring'. It is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk in the banking book'. The BCBS announced that they propose to both strengthen and harmonise global liquidity standards and plan to introduce two new liquidity standards. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are due to be implemented by 2015 and 2018, respectively. The BCBS published the final calibration of the LCR in January 2013 to be phased in from 2015 and a second consultation paper, the NSFR, was published in January 2014.

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

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

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

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the central treasury function, ERRF, BRCC and the board.

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

Non-trading interest rate risk description

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

Sources of interest rate risk include:

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

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

Management and measurement of non-trading interest rate risk

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

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk

- The management of interest rate risk in the banking book is centralised within the central treasury function and treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- The non-trading interest rate risk appetite has been set based on the loss under a worst-case 200bp parallel shock as a percentage of capital. This level applies to both earnings risk and economic value risk
- Internal capital is allocated for non-trading interest rate risk
- The policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy the bank swaps its fixed deposits and loans into variable rate in the wholesale market via interest rate swaps, where there is no offset
- It is the responsibility of the liability product and pricing forum, a sub-committee of ALCO, to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary
- Pricing for all deposit products (including deposit products offered to the private clients) is set centrally, in so doing we manage access to funding at cost-effective levels, considering also the stressed liquidity value of the liabilities
- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent ALCO review
- Treasury is the primary interface to the wholesale market
- We carry out technical interest rate analysis and economic review of fundamental developments by geography and global trends.

Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or embedded option risk. This is performed for a variety of interest rate scenarios, covering:

- Substandard expectations and perceived risks (house views)
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically-based yield curve changes.

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

The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite and ensure a high degree of net interest margin stability over an interest rate cycle. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes to interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, whilst economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape, after taking global trends into account.

These combinations of measures provide senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to the central treasury function by match-funding. In turn, Treasury hedges material fixed rate assets with a term of more than one year on a deal-by-deal basis with the use of variable versus fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury also hedges all fixed rate deposits with a term of more than one year to variable rate. These derivative hedging trades are executed with the bank's Interest Rate trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

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

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

The Basel Financial Market Committee has indicated that after completing and embedding the current reforms (covering capital, leverage and liquidity), the capital framework for interest rate risk on the banking book will be revisited. In part this is due to the increase in the quantum of high-quality liquid assets (HQLA) banks will need to hold in meeting the new liquidity ratios and the potential increase in interest rate risk thereon.

The expectation is that Basel will produce consultation documents in the next year on minimum standards for interest rate risk measurement in the banking book. The December 2013 Basel QIS document has called for information used to measure interest rate exposure.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2014. 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	33 367	–	–	29	–	5 273	38 669
Cash and short-term funds – non-banks	9 016	–	–	–	–	2	9 018
Investment/trading assets and statutory liquids	32 255	10 034	9 427	10 406	9 418	18 986	90 526
Securitised assets	8 956	–	–	–	–	528	9 484
Advances	132 005	1 533	1 499	8 244	4 499	2 126	149 906
Other assets	1 267	–	–	–	–	5 813	7 080
Assets	216 866	11 567	10 926	18 679	13 917	32 728	304 683
Deposits – banks	(22 333)	(224)	(181)	(80)	–	(84)	(22 902)
Deposits – non-banks	(169 752)	(12 686)	(10 877)	(7 415)	(1 714)	(997)	(203 441)
Negotiable paper	(3 354)	(274)	(329)	(4 599)	–	–	(8 556)
Securitised liabilities	(4 241)	–	–	–	–	(839)	(5 080)
Investment/trading liabilities	(11 934)	(2 494)	–	–	–	(7 039)	(21 467)
Subordinated liabilities	(7 452)	–	–	(325)	(2 684)	(37)	(10 498)
Other liabilities	(119)	–	–	–	–	(8 113)	(8 232)
Liabilities	(219 185)	(15 678)	(11 387)	(12 419)	(4 398)	(17 109)	(280 176)
Intercompany loans	6 900	369	(422)	2 876	(38)	2 384	12 069
Shareholders' funds	(3 264)	–	–	(410)	(871)	(26 582)	(31 127)
Balance sheet	1 317	(3 742)	(883)	8 726	8 610	(8 579)	5 449
Off-balance sheet	17 617	1 959	(3 815)	(12 862)	(8 297)	(51)	(5 449)
Repricing gap	18 934	(1 783)	(4 698)	(4 136)	313	(8 630)	–
Cumulative repricing gap	18 934	17 151	12 453	8 317	8 630	–	–

Economic value sensitivity at 31 March 2014

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

	Sensitivity to the following interest rates (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bps down	(252.1)	4.9	1.1	(0.9)	(2.1)	(188.5)
200bps up	220.0	(4.2)	(0.5)	0.7	1.6	167.9

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

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

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

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

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

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the SARB and the Bank of Mauritius
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision
- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring to be phased in from 2015
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- Each geographic entity must be self-sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from or to other group entities
- Geographic entities have no responsibility for contributing to group liquidity
- We maintain a liquidity buffer in the form of unencumbered, cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed.

These stress factors go well beyond our experience during the height of the recent financial crisis

- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators to potential normal market disruption
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

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

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

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

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

This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions in the event of either a firm-specific or general market contingent event.

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This validates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many Private Bank customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. We continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 10.6% to R204.9 billion at 31 March 2014. The growth in retail deposits benefited from the wider macro-economic trend of expanded money supply, customer deleveraging and below trend loan growth. We also have a number of innovative retail deposit initiatives within our Private Banking division and these continued to experience strong inflows during the financial year. On average our fixed and notice customer deposits have amounted to approximately 70% of total deposits since April 2006, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

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

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

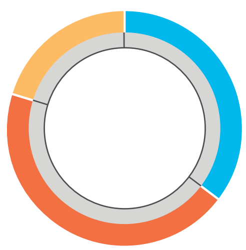
As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high-quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows, this puts us in a favourable position to meet the Basel III liquidity requirements. These portfolios are managed within board-approved targets, and apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on interbank deposits to fund term lending.

From 1 April 2013 to 31 March 2014 average cash and near cash balances over the period amounted to R78 billion.

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

The liquidity contingency plans outline extensive early warning indicators, clear lines of communication and decisive crisis response strategies. Early warning indicators span bank-specific and systemic crises. Rapid response strategies address action plans, roles and responsibilities, composition of decision-making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements required to manage liquidity during such an event. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business.

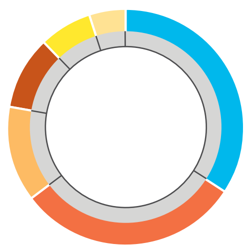
An analysis of cash and near cash at 31 March 2014



R84 476 million

Cash	35.3%
Near cash (central bank guaranteed liquidity)	44.6%
Near cash (other 'monetisable' assets)	20.1%

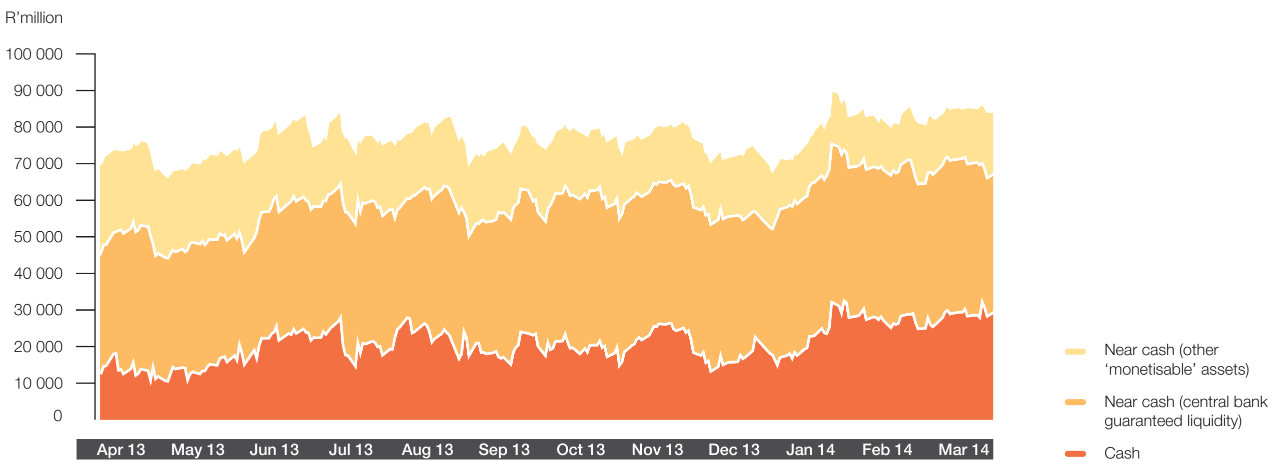
Bank and non-bank depositor concentration by type at 31 March 2014



R227 805 million

Private client	34.3%
Fund managers	30.5%
Corporate	13.2%
Banks	10.0%
Financial institutions	7.0%
Public sector	5.0%

Cash and near cash trend



The liquidity position of the bank remained sound with total cash and near cash balances amounting to R84.5 billion

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing liability. Risk Management monitor and manage total balance sheet encumbrance via a board-approved risk appetite framework. The group holds a liquidity buffer in the form of unencumbered, readily available, high-quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central banks in the respective jurisdictions.

During the year the group raised R2.9 billion in South Africa. The table on pages 165 and 166 reflects the assets encumbered and external liabilities issued under securitisation transactions. Securitisation notes are also retained by the group, most of which are held to provide a pool of collateral eligible to support central bank liquidity facilities.

The group uses secured transactions to manage short-term cash and collateral needs. Details of assets pledged through repurchase activity and collateral pledges are reported by line item of the balance sheet on which they are reflected on page 122. Related liabilities are also reported.

On page 122 we disclose further details of assets that have been received as collateral under reserve repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

The tables that follow show our contractual liquidity mismatch across our core geographies.

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

The liquidity position of the group remained sound with total cash and near cash balances amounting to R84.5 billion. We continued to enjoy strong inflows of customer deposits whilst maintaining good access to wholesale markets despite the underlying market environment. Our liquidity and funding profile reflects our strategy, risk appetite and business activities. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government, or rated securities and near cash as a buffer 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
  - 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 fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice, but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity at 31 March 2014

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*	32 305	5 791	1 807	–	43	1 150	–	41 096
Cash and short-term funds – non-banks	8 906	86	53	–	–	–	–	9 045
Investment/trading assets and statutory liquids**	30 218	17 358	3 207	835	4 729	21 708	32 217	110 272
Securitised assets	1 852	19	63	109	180	849	6 412	9 484
Advances	2 788	5 849	10 576	10 064	15 189	63 840	41 600	149 906
Other assets	2 627	321	123	134	–	2 399	1 750	7 354
Assets	78 696	29 424	15 829	11 142	20 141	89 946	81 979	327 157
Deposits – banks	(1 006)	(1 636)	(2 048)	(203)	(398)	(17 611)	–	(22 902)
Deposits – non-banks	(77 691)^	(28 084)	(31 016)	(20 038)	(21 695)	(24 381)	(1 998)	(204 903)
Negotiable paper	–	(33)	(57)	(460)	(658)	(7 348)	–	(8 556)
Securitised liabilities	(6)	(169)	(4 288)	–	–	–	(617)	(5 080)
Investment/trading liabilities	(134)	(14 888)	(1 493)	(1 320)	(7 070)	(8 915)	(1 372)	(35 192)
Subordinated liabilities	–	(34)	–	–	(254)	(525)	(9 685)	(10 498)
Other liabilities	(1 197)	(712)	(669)	(293)	(1 055)	(595)	(4 378)	(8 899)
Liabilities	(80 034)	(45 556)	(39 571)	(22 314)	(31 130)	(59 375)	(18 050)	(296 030)
Shareholders' funds	–	–	–	–	–	–	(31 127)	(31 127)
Contractual liquidity gap	(1 338)	(16 132)	(23 742)	(11 172)	(10 989)	30 571	32 802	–
Cumulative liquidity gap	(1 338)	(17 470)	(41 212)	(52 384)	(63 373)	(32 802)	–	–

Behavioural liquidity

As discussed on page 66.

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	27 008	5 791	1 807	–	43	1 150	5 297	41 096
** Investment/trading assets and statutory liquids	1 573	12 672	8 690	13 870	13 979	23 456	36 032	110 272

Behavioural liquidity

As discussed on page 66.

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	45 758	(8 320)	286	4 052	1 636	(85 316)	41 904	–
Cumulative	45 758	37 438	37 724	41 776	43 412	(41 904)	–	–

^ *Includes call deposits of R76 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

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

Balance sheet risk year in review

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

Investec's balance sheet was positioned for the unexpected 50bps repo rate hike in January 2014 and the net contribution to income was positive. Investec continued to build its structural liquidity cash resources over the course of the year as part of our drive to improve the Basel III LCR to be implemented from 1 January 2015. The bank continues to benefit from a growing retail franchise with total customer deposits increasing by 10.6% from 1 April 2013 to R204.9 billion at 31 March 2014 (Private Bank deposits amounted to R76 billion and other external deposits amount to R129 billion). Cash and near cash balances increased by 15.8% from 1 April 2013 to R84.5 billion at 31 March 2014. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totalling R9.5 billion and the sale of securitisation notes totalling R3 billion. Syndicated loan deals raised about US$1.25 billion two, three-year and five-year funds. The softening of some of the Basel III guidelines on liquidity risk has placed Investec in a very favourable position to meet the new criteria with less of a negative impact on margins.

Regulatory considerations – balance sheet risk

The banking industry continued to experience elevated levels of prospective changes to laws and regulations from national and supranational regulators.

Regulators propose to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy. We believe that we are well positioned for the proposed regulatory reform as we have maintained strong capital, funding and liquidity positions.

The BCBS published the final calibration of the LCR in January 2013. The main changes to the LCR were to introduce level 2b qualifying assets and recalibrate run-off factors for non-financial commercial depositors and committed facilities. The LCR ratio will be phased in from 2015 to 2019.

The BCBS published the second consultation document on the NSFR early January 2014 with a number of positive changes, and expect to publish the final calibration of the NSFR later in 2014.

We expect that all the jurisdictions where Investec has a banking licence will implement the BCBS guidelines on liquidity. In most jurisdictions there is still some uncertainty on the items for national discretion and this can have an impact on the final interpretation of the ratio.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks whilst the regulatory developments could result in additional costs.

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In most jurisdictions Investec already exceeds minimum requirements of these standards. We continue to reshape our liquidity and funding profile, where necessary, as we move towards the compliance timeline.

We have been an active participant in regulatory and industry forums to promote best practice standards on liquidity management.

The BCBS guidelines were followed by an observation period during which bi-annual quantitative impact studies are carried out to assess the impact of the new proposals on banks and the broader economy. Investec participated in the QIS study and believes it will be adequately funded and capitalised to meet the new requirements.

South Africa is committed to implementing the BCBS guidelines for 'liquidity risk measurement standards and monitoring' published in December 2010 and January 2013, by the due dates of 2015 to 2019.

Investec is involved in the process in the following ways:

- Collectively via the Banking Association of South Africa (BASA) and their task groups

- Direct bilateral consultation with SARB and SARB task teams
- As part of the Quantitative Impact Study by BCBS via SARB
- As part of National Treasury Structural Funding and Liquidity Risk task team.

South Africa is a region with insufficient liquid assets; to address this systemic challenge, the SARB announced the introduction of a committed liquidity facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF will be limited to 40% of Net Outflows under the LCR.

SARB is in the process of finalising the items for national discretion. With the changes announced by BCBS in January 2013, Investec South Africa already meets the requirement for the LCR in 2015.

The South African banking industry, however, will find it difficult to meet the NSFR ratio, as currently defined, as a result of the shortcomings and constraints in the South African environment. The banking sector in South Africa is characterised by certain structural features such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. The proposed liquidity measures have the potential to impact growth and job creation in the economy. In recognition thereof, the Finance Minister instituted a Structural Funding and Liquidity task team to investigate the constraints in the South African market and make recommendations to address these limitations.

BCBS has committed to finalise calibration of the NSFR ratio in 2014.

Notwithstanding the above constraints, Investec in South Africa is committed to meet the ratios.

Since 2008, the twin peaks model has gained wider acceptance globally. Whereas currently the micro-prudential role of the SARB is limited to banks, the twin peaks reform in South Africa will see the consolidation of prudential regulation and supervision of banks and insurers within the prudential regulator in the SARB. The regulation and supervision of market conduct of the financial sector will be consolidated within the FSB.

The prudential regulator's objective will be to maintain and enhance the safety and soundness of regulated financial institutions. This means being concerned with risks in each individual entity and ensuring the continued financial health of regulated institutions. The market conduct regulator's objective will be to protect consumers of financial services and promote confidence in the South African financial system. This entails ensuring that consumers of financial services are treated fairly. Coordination between the two regulators will be crucial as market conduct issues can result in prudential problems.

Operational risk

Operational risk definition

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or external events. Operational risk has both financial and non-financial impacts.

We recognise that there is significant operational risk inherent in the operations of a bank. Our objective is therefore to manage and mitigate risk exposures and events by adopting sound operational risk management practices.

Operational risk management framework

The bank continues to operate under the Standardised Approach (TSA) to operational risk which forms the basis of the operational risk management framework. The framework is embedded at all levels of the organisation and is continually reviewed to ensure appropriate and effective management of operational risk.

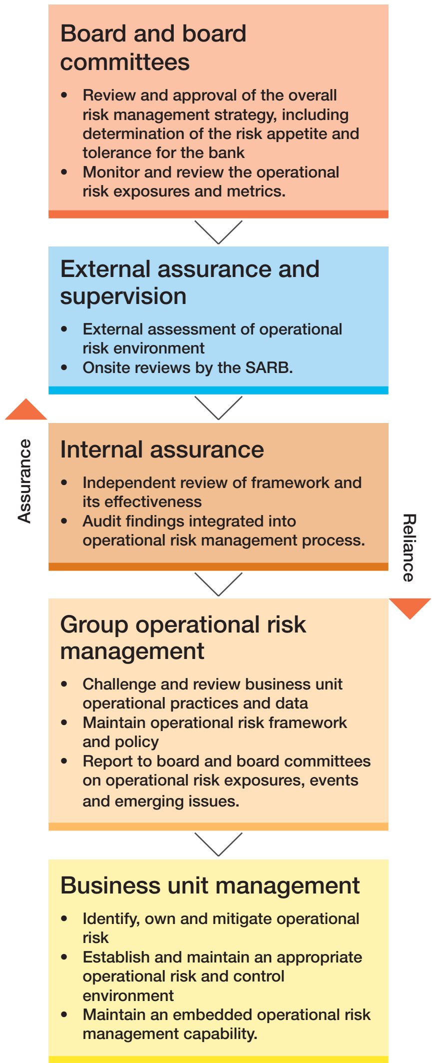
During the year under review, enhancement of all the components of the operational risk management framework remained an area of focus.

The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator and with industry counterparts at formal industry forums.

An independent group operational risk management function, mandated by the board risk and capital committee, ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the bank. Business unit management, supported by operational risk managers (ORMs) who operate at a business unit level, are responsible for embedding and implementing operational risk practices and policies. All personnel are adequately skilled at both a business unit and a group level.

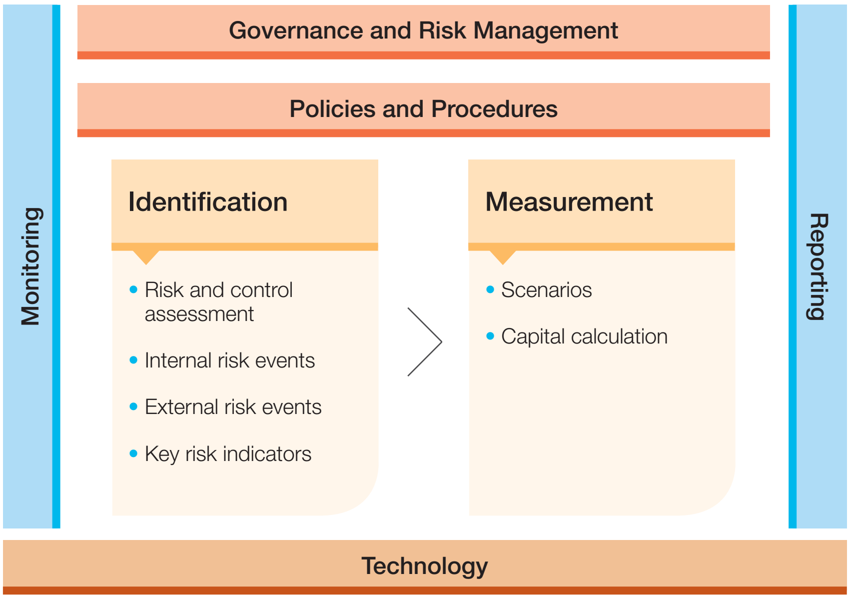
Governance

The governance structure adopted to manage operational risk is enforced in terms of a levels of defence model and supports the principle of combined assurance in the following manner:



Risk management (continued)

The diagram below depicts how the components of the operational risk management framework are integrated.



Enhancement of all the components of the operational risk management framework remained an area of focus

Risk appetite and tolerance

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

Operational risk practices

The following practices are used for the management of operational risk as illustrated in the diagram below:

Risk and control assessment	Internal risk events	External risk events	Key risk indicators	Scenarios and capital calculation	Reporting and monitoring	Technology
Qualitative assessments that identify key operational risks and controls Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile	Incidents resulting from failed systems, processes, people or external events A causal analysis is performed Enables business to identify trends in risk events and address control weaknesses	Access to data from an external data consortium Events are analysed to inform potential control failures within the bank The output of this analysis is used as input into the operational risk assessment process	Metrics are used to monitor risk exposures against identified thresholds Assists in predictive capability	Extreme, yet plausible scenarios are evaluated for financial and non-financial impacts Used to measure exposure arising from key risks, which is considered in determining internal operational risk capital requirements	A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed Monitoring compliance with operational risk policies and practices ensure the framework is embedded in day-to-day business activities	An operational risk system is in place to support operational risk practices and processes

Key operational risk considerations

The following key risks may result in loss of value should they materialise.

Definition of risk	Approach to mitigation	Priority for 2014
Financial crime		
Risk associated with fraud, forgery, theft and corruption.	• Proactive strategy which includes fraud risk assessments • Review external and industry events by engaging with external partners such as South African Banking Risk Information Centre (SABRIC), SAPS and agency banks • Understanding and proactively managing the emerging threat of cybercrime across the industry.	• Financial crime awareness for internal and external stakeholders, including awareness relating to the Investec Integrity Line.
Information security		
Risks associated with the confidentiality, availability or integrity of our information assets, irrespective of location or media.	• Identification of threats and associated risks to our information assets including legal and regulatory requirements • Development and monitoring of policies, processes and technical controls designed to mitigate the risks to our information • Evaluation of risks introduced by our information supply chain • Maintenance and testing of our security incident and breach response processes.	• Raising awareness with internal and external stakeholders of the threats, controls and policies relating to information security and their responsibility in protecting our information.
Process failure		
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations.	• Weaknesses in controls are identified through the causal analysis process following the occurrence of risk events • Thematic reviews are performed to monitor the effectiveness of controls across business units • Effective management of change remains a focus area for the year ahead.	• Enhancement of processes to identify risks related to new products and projects.
Regulatory and compliance		
Risk associated with identification, implementation and monitoring of compliance with regulations.	• Group Compliance and Group Legal Risk assist in the management of regulatory and compliance risk • Identification and adherence to legal and regulatory requirements • Review practices and policies as regulatory requirements change.	• Alignment of regulatory and compliance approach to reflect new regulatory landscapes (particularly change of regulatory structures in UK and SA) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Ensuring existing monitoring remains focused appropriately as areas of conduct and regulatory risk develop.
Technology		
Risk associated with the reliance on technology to support business processes and client services. This relates to the operations, usage, ownership and responsibility of IT systems across the business.	• Establishment and maintenance of an IT risk assessment framework to consistently and effectively assess IT exposures across the business • Monitoring risk exposures related to adoption of new technologies • Identification and remediation of vulnerabilities identified in IT systems, applications, and processes • Establishing appropriate IT recovery capabilities to safeguard against business disruptions resulting from systems failures and IT service outages.	• Identifying, monitoring and reducing risks in our digital channel, following the introduction of mobile applications and our increased online presence.

Insurance

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

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring.

In the event of a major disruption, an incident management framework will be used to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site. Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process.

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Legal risk management

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

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

The scope of our activities is continuously reviewed and includes the following areas:

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

The legal risk policy is implemented through:

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

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

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

Conduct risk

The South African financial sector regulatory landscape has been under review for the last few years. A new regulatory structure is developing, and existing legislation is also being amended. The conduct of financial institutions is currently regulated under various pieces of legislation, and by various regulators.

The National Credit Act (NCA) regulates the credit industry, ensuring that credit providers guard against reckless lending and over-indebting customers. Amendments to the NCA will grant greater enforcement and rule-making powers to the national credit regulator. The Financial Advisory and Intermediary Services Act (FAIS) regulates advice and intermediary services in relation to specific financial products. Risk and controls have been identified across the business, and these are reviewed and monitored regularly. Annual reports are also submitted to the regulators. FAIS is also being amended to include regulation of activities in relation to professional clients. The FSB has also introduced the Treating Customers Fairly (TCF) framework, which considers fairness outcomes for customers throughout the product lifecycle. A gap analysis is under way to assess the level of compliance with TCF, and to guide business on implementation and management reporting.

The draft Financial Sector Regulation Bill (Twin Peaks) proposes two new regulatory structures – the Prudential Authority and the Market Conduct Authority – incorporating portions of the Reserve Bank and the entire FSB structure. Financial institutions will be mono or dual regulated, depending on the activities they engage in.

Capital management and allocation

Capital measurement

Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced, however, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise.

Investec Limited and Investec plc are separately regulated entities. Operating with different regulatory capital regimes, it is difficult to directly compare regulatory capital adequacy of the two entities. The following provides a brief outline of the regulatory environment relevant to the group's capital management framework.

Regulatory capital – Investec Limited

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

On 1 January 2013, the SARB implemented its local version of the Basel III rules as composed by the Bank for International Settlements. Basel III builds upon the Basel II framework to strengthen minimum capital (and liquidity) requirements imposed on banks following the global financial crisis. The SARB adaptation of the Basel III proposals within its local rules brings about a number of changes for the assessment of capital adequacy.

In calculating capital adequacy, the most material effect of the new SARB regulatory framework relates to the eligibility of capital to support minimum capital requirements. In particular, the rules impose tighter restrictions on the type of capital that qualifies as tier 1 capital and increase the regulatory minima of capital that must be held. Internal targets remain in excess of these increased minimum requirements.

Investec Limited uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

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

Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec Limited and Investec plc have always held capital in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, the group is targeting a minimum CET1 capital ratio of above 10% by March 2016, a tier 1 capital ratio of above 11% by March 2016 and a total capital adequacy ratio target range of 14% to 17%. These targets are continuously assessed for appropriateness.

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

Management of leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest SARB regulations. The leverage ratio is a non-risk based measure intended to prevent excessive build-up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of

4% from 1 January 2018. At present the SARB treatment of off-balance sheet items is more punitive than that of the most recent document released by the Basel Committee in January however, Investec Limited is still well above the minimum levels specified.

Leverage ratio target

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

As with the governance of capital management, the DLC capital committee is responsible for ensuring that the impact of any regulatory changes on the leverage ratio are calculated, analysed and understood at all reporting levels.

Capital management

Philosophy and approach

Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital, as appropriate to that jurisdiction, and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate for the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal capital framework is designed to manage and achieve this balance. The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the Supervisory Review and Evaluation Process (SREP).

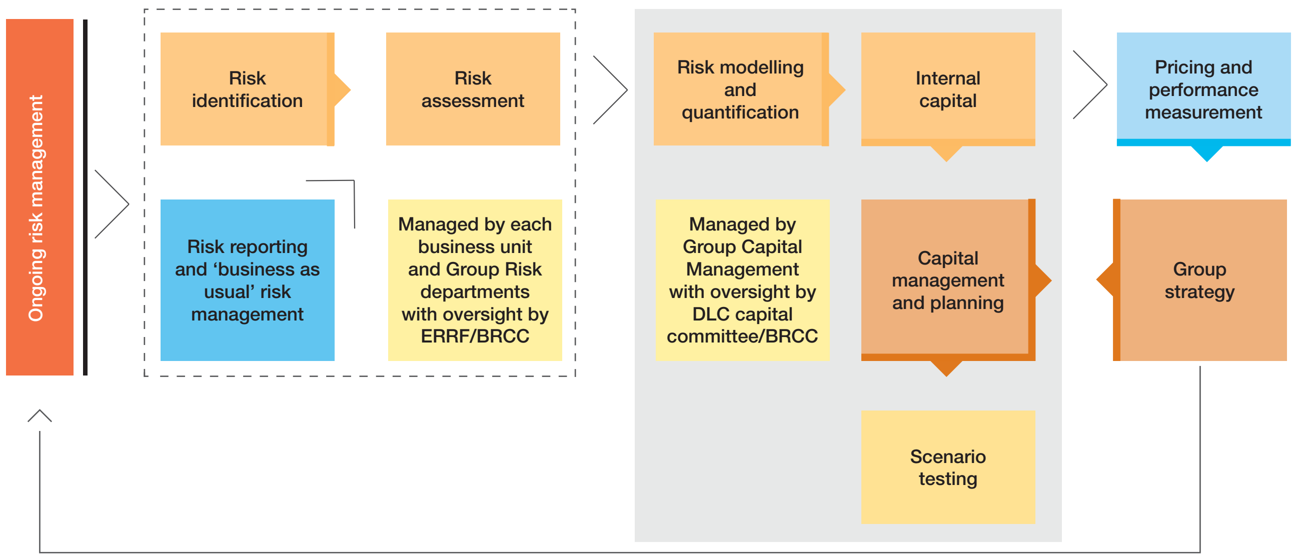
The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- Investment decision-making and pricing that is commensurate with the risk being taken
- Allocating capital according to the greatest expected marginal risk-based return, and tracking performance on this basis
- Determining transactional risk-based returns on capital
- Rewarding performance taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration
- Comparing risk-based performance across business areas.

The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



Risk assessment and reporting

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

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

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

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

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement, and external benchmarking.

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

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

Capital planning and stress/scenario testing

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

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

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its targets against regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite

actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

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

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

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

Pricing and performance measurement

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

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

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

Regulatory capital and requirements

For regulatory capital purposes, our total regulatory capital is divided into three main categories, namely CET1, tier 1 and tier 2 capital as follows:

- Common equity tier 1 (CET1) capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (for example, goodwill and intangible assets) and other adjustments;
- Additional tier 1 capital includes qualifying capital instruments, which are capable of being fully and permanently written down or converted fully into CET1 capital at the point of non-viability of the firm and other additional tier 1 instruments, which no longer qualify as additional tier 1 capital and are subject to grandfathering provisions; and
- Tier 2 capital comprises qualifying subordinated debt and related eligible non-controlling interests and other tier 2 instruments, which no longer qualify as tier 2 capital and are subject to grandfathering provisions.

Capital disclosures

The tables that follow provide information as required in terms of Basel III.

Capital management and allocation (continued)

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 169 to 173.

At 31 March 2014	Investec Limited* R'million	IBL* R'million
Tier 1 capital		
Shareholders' equity	22 641	24 067
Shareholders' equity per balance sheet	26 490	25 601
Perpetual preference share capital and share premium	(3 183)	(1 534)
Equity holding in deconsolidated entities	(666)	–
Non-controlling interests	470	–
Non-controlling interests per balance sheet	3 102	–
Non-controlling interests excluded for regulatory purposes	(2 632)	–
Regulatory adjustments to the accounting basis	521	522
Cash flow hedging reserve	521	522
Deductions	(221)	(102)
Goodwill and intangible assets net of deferred tax	(221)	(102)
Common equity tier 1 capital	23 411	24 487
Additional tier 1 capital	3 764	1 227
Additional tier 1 instruments	4 717	1 534
Phase out of non-qualifying additional tier 1 instruments	(943)	(307)
Non-qualifying surplus capital attributable to non-controlling interests	(10)	–
Tier 1 capital	27 175	25 714
Tier 2 capital	9 846	10 670
Collective impairment allowances	172	172
Tier 2 instruments	10 498	10 498
Non-qualifying surplus capital attributable to non-controlling interests	(824)	–
Total regulatory capital	37 021	36 384
Risk-weighted assets	248 040	238 396
Capital ratios		
Common equity tier 1 ratio	9.4%	10.3%
Tier 1 ratio	11.0%	10.8%
Total capital ratio	14.9%	15.3%
Leverage ratio	7.2%	7.2%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Capital management and allocation (continued)

Capital structure and capital adequacy (continued)

At 31 March 2013	Investec Limited* R'million	IBL* R'million
Tier 1 capital		
Shareholders' equity	19 819	21 975
Shareholders' equity per balance sheet	23 002	23 509
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	10	–
Non-controlling interests excluded for regulatory purposes	(10)	–
Regulatory adjustments to the accounting basis	446	446
Cash flow hedging reserve	446	446
Deductions	(235)	(90)
Goodwill and intangible assets net of deferred tax	(235)	(90)
Common equity tier 1 capital/core tier 1	20 030	22 331
Additional tier 1 capital	4 222	1 381
Additional tier 1 instruments	4 717	1 534
Phase out of non-qualifying additional tier 1 instruments	(472)	(153)
Non-qualifying surplus capital attributable to non-controlling interests	(23)	–
Tier 1 capital	24 252	23 712
Tier 2 capital		
Total qualifying tier 2 capital before deductions	10 961	11 493
Collective impairment allowances	122	122
Tier 2 instruments	12 496	12 496
Phase out of non-qualifying tier 2 instruments	(1 125)	(1 125)
Non-qualifying surplus capital attributable to non-controlling interests	(532)	–
Deductions	(435)	–
Investments that are not material holdings or qualifying holdings	(435)	–
Total tier 2 capital	10 526	11 493
Total regulatory capital	34 778	35 205
Risk-weighted assets	223 865	217 715
Capital ratios		
Core tier 1 ratio/common equity tier 1 ratio	8.9%	10.3%
Tier 1 ratio	10.8%	10.9%
Total capital ratio	15.5%	16.2%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Capital management and allocation (continued)

Capital requirements

At 31 March 2014	Investec Limited* R'million	IBL* R'million
Capital requirements	24 804	23 840
Credit risk – prescribed standardised exposure classes	18 308	17 611
Corporates	11 082	10 418
Secured on real estate property	1 601	1 601
Short-term claims on institutions and corporates	2 732	2 722
Retail	544	544
Institutions	1 064	1 064
Other exposure classes	199	176
Securitisation exposures	1 086	1 086
Equity risk – standardised approach	3 325	3 865
Listed equities	217	757
Unlisted equities	3 108	3 108
Counterparty credit risk	648	648
Market risk	473	395
Interest rate	117	117
Foreign exchange	98	98
Commodities	5	5
Equities	253	175
Operational risk – standardised approach	2 050	1 321
At 31 March 2013		
Capital requirements	21 268	20 681
Credit risk – prescribed standardised exposure classes	15 360	14 798
Corporates	9 498	9 023
Secured on real estate property	1 513	1 513
Short-term claims on institutions and corporates	2 223	2 155
Retail	326	325
Institutions	1 058	1 058
Other exposure classes	91	73
Securitisation exposures	651	651
Equity risk – standardised approach	2 845	3 472
Listed equities	145	789
Unlisted equities	2 700	2 683
Counterparty credit risk	716	716
Market risk	449	426
Interest rate	117	117
Foreign exchange	74	74
Commodities	2	2
Equities	256	233
Operational risk – standardised approach	1 898	1 269

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Capital management and allocation (continued)

Risk-weighted assets

At 31 March 2014	Investec Limited* R'million	IBL* R'million
Risk-weighted assets (banking and trading)	**248 040**	**238 396**
Credit risk – prescribed standardised exposure classes	183 080	176 112
Corporates	110 817	104 181
Secured on real estate property	16 011	16 011
Short-term claims on institutions and corporates	27 319	27 215
Retail	5 441	5 441
Institutions	10 644	10 644
Other exposure classes	1 987	1 759
Securitisation exposures	10 861	10 861
Equity risk – standardised approach	33 250	38 653
Listed equities	2 167	7 570
Unlisted equities	31 083	31 083
Counterparty credit risk	6 479	6 479
Market risk	4 731	3 947
Interest rate	1 174	1 174
Foreign exchange	978	978
Commodities	50	50
Equities	2 529	1 745
Operational risk – standardised approach	20 500	13 205
At 31 March 2013		
Risk-weighted assets (banking and trading)	**223 865**	**217 715**
Credit risk – prescribed standardised exposure classes	161 678	155 781
Corporates	99 975	94 983
Secured on real estate property	15 925	15 925
Short-term claims on institutions and corporates	23 397	22 685
Retail	3 428	3 426
Institutions	11 141	11 141
Other exposure classes	959	768
Securitisation exposures	6 853	6 853
Equity risk – standardised approach	29 948	36 548
Listed equities	1 531	8 306
Unlisted equities	28 417	28 242
Counterparty credit risk	7 537	7 537
Market risk	4 728	4 488
Interest rate	1 229	1 229
Foreign exchange	783	783
Commodities	20	20
Equities	2 696	2 456
Operational risk – standardised approach	19 974	13 361

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Investec Limited

Movement in risk-weighted assets

Total risk-weighted assets (RWAs) grew by 11% over the period, predominantly within Credit Risk.

Credit Risk RWAs

For Investec Limited consolidated reporting we have adopted the standardised approach for calculating credit risk RWAs. Credit RWA grew by R21 billion (13.5%) with strong growth in corporate and private client lending activity. A large proportion of this movement is driven by currency movements on foreign denominated assets, while the remainder is associated with book growth within the corporate (mainly associated with renewable energy related transactions and short-term corporate funding) and private client lending businesses. The impact of Basel III and the associated enhancements to the Banks Act by the South African Reserve Bank were implemented in 2013 and there has been minimal change in the methodology governing the calculation of required capital during the 2014 financial year.

Counterparty credit risk RWAs and Credit Valuation Risk

Counterparty credit risk RWAs reduced by R1.85 billion primarily due to lower trading volumes, while CVA over the period grew by R688 million. CVA risk was implemented as part of Basel III in South Africa, and captures the risk of default or variation in the credit quality of counterparties. We apply the standardised approach to the calculation of the CVA capital requirement.

Equity Risk RWAs

Equity risk grew by approximately R4 billion over the period. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% risk weight and unlisted equities 424%. This results in a proportionally much larger increase in RWA than the associated on balance sheet equity values.

Market Risk RWAs

Market Risk RWA is calculated using the Value at Risk (VaR) approach and remained relatively flat over the period.

Operational Risk RWAs

Operational Risk is calculated using the standardised and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

Movement in total regulatory capital

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

Total regulatory capital flow statement

At 31 March 2014	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	20 030	22 331
New capital issues	275	–
Dividends	(2 002)	(183)
Profit after tax	4 094	2 150
Treasury shares	(770)	–
Gain on transfer of non-controlling interests	1 449	–
Share-based payment adjustments	485	–
Movement in other comprehensive income	428	125
Goodwill and intangible assets (deduction net of related tax liability)	14	(12)
Other, including regulatory adjustments and transitional arrangements	(592)	76
Closing common equity tier 1 capital	23 411	24 487
Opening additional tier 1 capital	4 222	1 381
Other, including regulatory adjustments and transitional arrangements	(458)	(154)
Closing additional tier 1 capital	3 764	1 227
Closing tier 1 capital	27 175	25 714
Opening tier 2 capital	10 526	11 493
New tier 2 capital issues	1 005	1 005
Redeemed capital	(3 003)	(3 003)
Collective impairment allowances	50	50
Other, including regulatory adjustments and transitional arrangements	1 268	1 125
Closing tier 2 capital	9 846	10 670
Closing total regulatory capital	37 021	36 384

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Total regulatory capital flow statement (continued)

At 31 March 2013	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	17 809	19 492
New capital issues	159	1 361
Dividends	(1 711)	(957)
Profit after tax	3 240	1 878
Treasury shares	(401)	–
Share-based payment adjustments	388	–
Movement in other comprehensive income	326	294
Goodwill and intangible assets (deduction net of related tax liability)	31	6
Other, including regulatory adjustments and transitional arrangements	189	257
Closing common equity tier 1 capital	20 030	22 331
Opening additional tier 1 capital	4 414	1 534
New additional tier 1 capital issues	303	–
Other, including regulatory adjustments and transitional arrangements	(495)	(153)
Closing additional tier 1 capital	4 222	1 381
Closing tier 1 capital	24 252	23 712
Opening tier 2 capital	8 667	8 667
New tier 2 capital issues	5 295	5 295
Redeemed capital	(1 508)	(1 508)
Collective impairment allowances	(84)	(84)
Other, including regulatory adjustments and transitional arrangements	(1 844)	(877)
Closing tier 2 capital	10 526	11 493
Closing total regulatory capital	34 778	35 205

A summary of capital adequacy and leverage ratios

At 31 March 2014	Investec Limited*	IBL*
Common equity tier 1 (as reported)	9.4%	10.3%
Common equity tier 1 ('fully loaded')^^	9.3%	10.2%
Tier 1 (as reported)	11.0%	10.8%
Total capital adequacy ratio (as reported)	14.9%	15.3%
Leverage ratio** – permanent capital	7.4%	7.2%
Leverage ratio** – current	7.2%	7.2%
Leverage ratio** – 'fully loaded'^^	6.2%	6.8%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

** *The leverage ratios are calculated on an end-quarter basis so as to show a consistent basis of calculation across the jurisdictions in which the group operates.*

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

Analysis of rated counterparties in each standardised credit exposure class

The capital requirement disclosed as held against credit risk at 31 March 2014 includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality no detail has been provided on this risk in the following analysis.

The table below shows the exposure amounts associated with the credit quality steps and the relevant risk weightings at 31 March 2014:

	31 March 2014		31 March 2013	
Credit quality step	Exposure R'million	Exposure after credit risk mitigation R'million	Exposure R'million	Exposure after credit risk mitigation R'million
Central banks and sovereigns				
1	40 716	40 716	39 475	39 475
2	–	–	–	–
3	176	176	42	42
4	–	–	–	–
5	105	105	–	–
6	–	–	–	–
Institutions original effective maturity of more than three months				
1	–	–	627	466
2	12 531	11 818	10 180	10 180
3	7 430	7 167	12 665	12 664
4	527	527	–	–
5	–	–	–	–
6	–	–	–	–
Short-term claims on institutions				
1	1 480	1 480	1 083	1 083
2	11 753	11 753	9 111	9 111
3	15 210	15 210	6 646	6 646
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Corporates				
1	2 387	2 074	444	367
2	3 652	2 678	1 315	822
3	5 885	4 350	3 050	1 223
4	451	418	672	264
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	793	793	788	788
2	5 353	4 540	4 124	4 124
3	2 756	1 437	1 357	1 357
4	267	267	369	369
5	1 668	1 668	62	62
Total rated counterparty exposure	113 140	107 177	92 010	89 043

The institution's asset class includes exposure to institutions with an original effective maturity of more than and less than three months.

Credit ratings

In terms of our dual listed companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank plc, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings at 31 March 2014 are as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch		
Long-term ratings		
Foreign currency	BBB-	BBB-
National		A+(zaf)
Short-term rating		
Foreign currency	F3	F3
National		F1 (zaf)
Viability rating	bbb-	bbb-
Support rating	5	3
Moody's		
Long-term deposit ratings		
Foreign currency		Baa1
National		Aa3 (za)
Short-term deposit rating		
Foreign currency		Prime-2
National		P1 (za)
Bank financial strength rating		C-
Global Credit Ratings		
Local currency		
Short-term rating		A1+(za)
Long-term rating		AA-(za)

Internal Audit

Internal Audit activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function.

The head of internal audit reports at each audit committee meeting and has a direct reporting line to the chairman of the audit committee. The head of internal audit operates independently of executive management, but has regular access to the chief executive officer and to BU executives. The head of internal audit is responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency. For administrative purposes, the head of internal audit also reports to the global head of corporate governance and compliance. The function complies with the International Standards for the Professional Practice of Internal Auditing, and is subject to an independent Quality Assurance Review (QAR) at appropriate intervals. The recent QAR benchmarked the function against the July 2013 publication by the Chartered Institute for Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector', the results of which were communicated to the audit committees in March 2014 and will be communicated to the respective regulators.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. High risk businesses and processes are audited at least every 18 months, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to each audit committee. If there are concerns in relation to overdue issues, these will be escalated to the executive risk review forum to expedite resolution.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness to meet our increasingly demanding corporate governance and regulatory environment, including the requirements of King III in South Africa. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal Audit resources are subject to review by the respective audit committees.

Compliance

Over the last year, the pace of regulatory change in the financial sector has shown little signs of abating, and the pressure the industry has faced to implement various regulatory initiatives has continued to be resource intensive. Regulators, globally, have continued to endeavour to promote stability and resilience in financial markets, with the focus shifting from strategic reforms such as recovery and resolution plans and structural reform to conduct-related issues, with the focus on consumer protection and transparency within markets.

In particular, some of the changes have come from proposals, which aim to promote transparency within the over-the-counter (OTC) markets. Regulations such as European Market Infrastructure Regulation (EMIR) in the EU and the Dodd Frank Act in the US have imposed clearing and reporting requirements on both regulated and non-regulated counterparties in respect of their derivative trades as well as requiring counterparties to agree risk mitigation processes and procedures for all OTC derivative trades.

In addition to a number of international proposals aiming for an internationally accepted single global tax reporting standard and automatic information exchange, The Foreign Account Tax Compliance Act (FATCA) is also having a global impact on firms. To combat tax evasion by US tax residents using foreign accounts, FATCA requires firms outside of the US to pass information about their US customers to the US tax authorities, Internal Revenue Service (IRS). Failure to meet the new reporting obligations under FATCA would result in a 30% withholding tax on financial institutions. The UK, along with a number of other countries, has entered into an intergovernmental disclosure agreement with the US. South Africa has agreed the wording of an intergovernmental agreement with the IRS and the parliamentary ratification process is in progress. This allows South Africa to be treated as a participating country and thus avoid withholding on South African financial institutions. Investec is engaged in projects to ensure that operationally we are able to identify our US clients, and that we have processes in place to exchange relevant information with the IRS.

Financial crime continues to be a regulatory focus with regulators globally encouraging firms to increase efforts around having systems and controls to combat bribery and corruption. In order to strengthen the anti-money laundering regime, regulators are holding discussions with the legal community on changes required to rules on identifying beneficial ownership. This, together with other proposals in relation to financial crime, will become a focus for Investec Limited as a result of embedding the fourth Money Laundering Directive.

Investec continues to strive to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our customers and shareholders at the forefront of the corporate agenda. We also seek to bring high standards of compliance practice to all our jurisdictions in order to build trust and promote the quality of service to our colleagues and clients.

Year in review

There have been numerous regulatory developments in the past year, most notably the publication of the Draft Financial Sector Regulation Bill which outlines the proposed Twin Peaks model of regulation (Twin Peaks model). The first phase of the Twin Peaks will create the two new regulatory structures, the Prudential Authority and the Market Conduct Authority. This will see structural changes within the South African Reserve Bank (SARB) and the Financial Services Board (FSB). The second phase will entail amending existing South African legislation and creating new legislation, where applicable, to give effect to the new regulatory structures. The Twin Peaks model will also allow for the Treating Customers Fairly (TCF) programme to be applicable across the financial services sector.

The Financial Markets Act (FMA), which replaces the Securities Services Act, was promulgated in 2013. The main impact of the FMA is the regulation of over-the-counter (OTC) derivatives, and the introduction of trade repositories. The regulations, which will give operational effect to the FMA, are being drafted by National Treasury.

Other significant developments include the Solvency Asset Management in the insurance industry, amendments to the Long Term Insurance Act, Basel III and further regulation of hedge funds and collective investment schemes. Investec continues to participate in the relevant industry work streams. Investec further continues to review and provide feedback to industry bodies and regulators regarding proposals for new or enhanced regulation.

Mauritius has brought amendments to the main anti-money laundering legislation, namely to the Financial Intelligence and Anti-Money Laundering Act. The details of the amendments are as follows:

- Governance, accounting and reporting requirements to the Financial Intelligence Unit
- Submission by reporting institutions of Suspicious Transactions Reports (STRs) solely to the Financial Intelligence Unit
- STRs submitted to the Financial Intelligence Unit cannot be used as evidence in Court
- Financial institutions have 15 days to file STRs and to submit information requested by the Financial Intelligence Unit.

Conduct Risk (consumer protection)

Consumer protection regulation remains a key focus into 2014 with continued emphasis on aligning existing processes with the TCF Roadmap published by the FSB. Some of the key developments in 2013 are highlighted below.

As required by FAIS, the fit and proper status of representatives and key individuals of all licensed Investec financial services providers (FSPs) are monitored on an ongoing basis and the requisite reports are made to the FSB.

The Department of Trade and Industry (dti) issued regulations at the end of February 2014 for the removal of adverse credit information, in respect of paid up judgments, from the records of credit bureaus. The regulations also prohibit credit providers from utilising the deleted information for purposes of credit assessments/scoring. The dti also introduced the National Credit Amendment Bill (NCAB) to Parliament at the end of 2013. The NCAB is a result of the policy review undertaken for the National Credit Regulator (NCR) by the University of Pretoria. Some of the key amendments proposed in the NCAB include the permanent removal of adverse credit information in respect of paid up judgments, greater powers of enforcement and rule-making powers being granted to the NCR, new and enhanced regulation of debt counsellors and payment distribution agencies. The NCAB is at an advanced stage in the Parliamentary process, and the changes are expected to be effective this year.

The FSB is reviewing the definition of 'intermediary services' in the Financial Advisory and Intermediary Services Act (FAIS), and the draft Category V Code relating to professional clients (and which will impact FSPs currently subject to the merchant banking exemption).

The Protection of Personal Information Act (POPI) was enacted in November 2013. Section 1, Part A of Chapter 5 and sections 112 and 113 are in effect. The commencement of these sections allows for the establishment of an information regulator and for the drafting of regulations, which will provide further guidance in respect of implementation. Once the regulations have been drafted they will be published for comment. POPI has a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to the Investec group and subsidiaries.

Corporate governance

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure

Introduction

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in Investec group's 2014 integrated annual report.

Our culture and values

Underpinning legislative, regulatory and best practice requirements are Investec's values and philosophies, which provide the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures, and a written statement of values serves as our code of ethics.

We operate under a dual listed company (DLC) structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate rule for the group.

All international business units operate in accordance with the above determined corporate governance requirements, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

Regulatory context

The board, management and employees of Investec are committed to complying with the disclosure and transparency rules and listing rules of the JSE Limited (JSE) listings requirements, regulatory requirements in the countries in which we operate, and the King Code of Governance Principles for South Africa (King III). Therefore, all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

Governance framework

Investec Limited and Investec plc, together with their subsidiaries, are merged as a single economic enterprise as a result of the dual listed companies (DLC) structure. The group adopted a risk and governance structure which allows for the operation of the various committees and forums at group level.

Investec's governance framework is depicted on page 28.

This avoids the necessity of having to duplicate various committees and forums at a subsidiary level. Due to the DLC structure, we have combined board committees of Investec Limited and Investec plc. Full disclosure of the functioning and responsibilities of these board committees can be found in Investec group's 2014 integrated annual report.

Statement of compliance

King III

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, Investec has applied the King III principles.

For a complete list of all principles and a reference to demonstrate how Investec has applied these principles, please refer to our website.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that Investec Limited has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial results by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

The board is of the opinion, based on its knowledge of the group, key processes in operation and enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future.

Further information on our liquidity and capital position is provided on pages 63 to 69 and pages 73 to 84.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control are effective.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of Investec Limited annual financial statements, accounting policies and the information contained in the integrated annual report, and to ensure that the annual financial statements are fair, balanced and understandable.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks Investec faces in preparing the financial and other information contained in this integrated annual report. This process was in place for the year under review and up to the date of approval of the integrated annual report and financial statements.

The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.

Our annual financial statements are prepared on a going concern basis.

Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed-term employment contracts and there are no employment contracts with managers for a term of more than three years.

Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Each strategic business unit has a management committee and is responsible for implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

The NOMDAC received a detailed presentation from the executive regarding senior management succession and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date.

Senior management succession plans are also presented annually to the banking regulators.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The DLC board risk and capital committee (BRCC) and audit committees assist the board in this regard. Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as group risk management, internal audit and compliance.

These ongoing processes were in place throughout the year under review and up to the date of approval of the integrated annual report and accounts.

Internal Audit reports any control recommendations to senior management, group risk management and the relevant audit committee. Appropriate processes, including review by the audit committees' support structures, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are regularly considered by the executive risk review forum (ERRF) and by the BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Conflict of interest

Certain statutory duties with respect to directors' conflicts of interest are in force under the South African Companies Act 2008, as amended. In accordance with the Act and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the MOI, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committees and are independently assessed by Internal Audit and Compliance.

Board of directors

Biographical details of the directors are set out on pages 96 and 97, with more information in the Investec group's 2014 integrated annual report.

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of Investec. It provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board has adopted a board charter, which provides a framework of how the boards operate as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

For more information on the board's objectives, role and responsibilities refer to the Investec group's 2014 integrated annual report.

Composition, structure and process

At the end of the year under review, the board, excluding the joint chairmen, comprised four executive directors and 12 non-executive directors.

Refer to the Investec group's 2014 integrated annual report for disclosures on:

- Board changes during the past year
- Independence of board members and the chairmen
- Skills, knowledge, experience and attributes of directors
- Board and directors' performance evaluation
- Terms of appointment
- Ongoing training and development
- The role of the joint chairmen and chief executive officer
- Board meetings
- Dealings in securities
- Directors' dealings
- Independent advice
- IT governance.

Board committees

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

The reports of the chairmen of the board committees are provided in the Investec group's 2014 integrated annual report.

For ease of reference, the report by the chairman of the Investec Limited audit committee is included on pages 91 to 94.

Remuneration

The board believes that a properly constituted and effective remuneration committee is key to maintaining the link between pay and performance. Our remuneration philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, their communities and the group.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success. In summary, we recognise that financial institutions have to divide the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities.

Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our core values and philosophies which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society. Further information regarding our remuneration philosophy and processes and directors' remuneration is provided in the Investec group's 2014 integrated annual report.

South African Companies Act, 2008 disclosures

Subsequent to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals who are defined by the South African Companies Act, No 71 of 2008, as amended, read together with the Companies Regulations 2011 (together the Act), as prescribed officers.

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i.e. Asset Management, Wealth & Investment and Specialist Banking, the prescribed officers for Investec Limited as per the Act are the following global heads of the group's three distinct business activities:

- Asset Management
  – Hendrik du Toit
- Wealth & Investment
  – Steve Elliott
- Specialist Banking
  – Stephen Koseff
  – Bernard Kantor
  – Glynn Burger.

Hendrik du Toit, Stephen Koseff, Bernard Kantor and Glynn Burger are also the four executive directors of Investec Limited and their remuneration is disclosed in the Investec group's 2014 integrated annual report.

Steve Elliott is remunerated by Investec plc (a UK domiciled company) and is not required to disclose his remuneration under the South African Companies Act.

Pillar III remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar III Disclosure requirements.

The bank's qualitative remuneration disclosures are provided in the Investec group's 2014 integrated annual report.

Audit committee report to shareholders

This is my first report as audit committee chairman.

Having spent six months as an understudy to the former chairman, I have a good understanding and appreciation of the role that I need to play as the audit committee chairman.

Introduction

The audit committee is an essential part of the group's governance framework to which the board has delegated oversight of the group's financial reporting, risk management, compliance, internal and external audit.

This report provides an overview of the work of the committee and details how it has discharged its duties over the year.

Following the annual cycle of work of the committee, we concluded that sound risk management and internal controls have been maintained during the year.

The committee was satisfied that the integrated annual report presents fairly and provides a fair, balanced and understandable assessment of the group's financial position at 31 March 2014, and the results of its operations for the year then ended.

Background

In terms of Investec's DLC structure, the board has mandated authority to the Investec plc audit committee and the Investec Limited audit committee to be the audit committees for those respective companies and their subsidiaries with each having their own regulatory requirements to meet. A DLC audit committee – which is the combined audit committee of Investec plc and Investec Limited – has responsibility to the board for matters common to both Investec plc and Investec Limited and, in particular, the combined group annual financial statements and results.

The audit committees comply with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules, and apply the corporate governance principles for audit committees as required by the UK Disclosure and Transparency Rules (7.1.3R), the UK Corporate Governance Code and King III.

External auditors from both the UK and South Africa attend meetings.

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group. In this regard the audit committees have oversight of and monitor:

- Financial reporting process and risks
- Fraud and IT risks as they relate to financial reporting
- The effectiveness of the group's internal controls, internal audit and risk management systems
- The statutory audit and group annual financial statements
- The independence of the statutory auditor.

At each audit committee meeting, the group chief executive officer, group managing director and group risk and finance director provide an in-depth assessment of their current risk-related concerns and the procedures introduced by management to control or mitigate these risks.

Following the completion of all group audit committee meetings, a written report is provided to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware.

All responsibilities are covered in the audit committees' terms of reference.

The board has approved terms of reference for the audit committee of Investec Limited which can be found on our website.

The audit committee approves the annual internal audit plan. The head of internal audit of Investec Limited has free access to the chairman of the audit committee or any member of the audit committee and he attends all audit committee meetings by invitation.

Membership and attendance

The audit committee is comprised entirely of independent non-executive directors who must meet predetermined skills, competency and experience requirements.

The Investec Limited audit committee meets 4 times per year. The joint chairmen, chief executive officer, managing director, finance and risk director, heads of compliance, IT, operational risk, internal audit and representatives of the external auditors attend meetings by invitation.

A comprehensive meeting pack is prepared with written reports received from the external auditors and each of the above functions. They present on the significant matters included in their reports.

The chairman of the audit committee regularly meets with the head of internal audit as well as the lead external audit partners outside formal committee meetings.

At the final results audit committee meetings, the external auditors and internal auditors meet separately with the committee members to enable them to have a frank and open debate without the executives being present.

Attendance by members at audit committee meetings during the financial year ended 31 March 2014:

Members	DLC audit committee		Investec Limited audit committee	
	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended
D Friedland* (chairman)	4	4	4	4
SE Abrahams**	4	2	4	1
GFO Alford	4	4	4	4
OC Dickson	4	4	4	4
PRS Thomas	4	4	4	4
CB Tshili***	4	4	4	4

* *D Friedland was appointed as chairman of the audit committees with effect from 8 August 2013.*

** *SE Abrahams stepped down from the audit committees with effect from 8 August 2013, and was therefore only eligible to attend meetings held prior to 8 August 2013.*

*** *CB Tshili is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee.*

Summary of conclusions reached by the audit committees for the year ended 31 March 2014

The individual and combined audit committees, to the best of our knowledge and belief, are satisfied that:

- The finance functions of Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group finance director, GR Burger, has the appropriate expertise and experience to meet the responsibilities of the position
- The group's internal financial controls are effective and all identified weaknesses in financial control are rectified
- The external auditors of Investec Limited are, and remain, independent
- The external auditors perform their functions with the appropriate expertise, competence and experience.

In fulfilling our duties, the audit committees have:

- Considered whether the integrated annual report taken as a whole was fair, balanced and understandable and provided the information necessary for stakeholders to assess the group's performance
- Reviewed and discussed with the external auditors material areas in which significant judgements were applied
- Reviewed the internal audit function including the process for evaluating the control environment, approved the internal audit plan and considered internal audit reports
- Reviewed and considered representations by management on the going concern statement for the group, and recommended the adoption of the going concern concept to the board
- Reviewed the risk assessment process and the manner in which significant business risks are managed
- Recommended to the board the reappointment of our external auditors. (See external auditors below.)

With the ever increasing threat posed by cybercrime, information security has become a regular focus for the committees.

The audit committees recommended the adoption of the integrated annual report to the board.

In this regard the audit committees:

- Considered all facts and risks that may impact on the integrity of the integrated annual report
- Reviewed and commented on the annual financial statements included in the integrated annual report
- Reviewed the disclosure of sustainability issues in the integrated annual report to ensure they are reliable and do not conflict with the financial information
- Engaged Grant Thornton to verify all the environmental data included in the report. None of the audit firms engaged in the group's external audit were considered for the project.

The board subsequently approved the integrated annual report, including the annual financial statements, which will be tabled for approval at the forthcoming annual general meeting.

External auditors

Appointment and independence

During 2014, the committees evaluated the effectiveness of the external auditors (Ernst & Young and KPMG) and, following due consideration, make a recommendation to shareholders that they be reappointed for the year ending 31 March 2015.

Although Ernst & Young and KPMG have been the group's auditors for a number of years, we believe that partner rotation, limitations on non-audit services and the confirmation of the independence of both

Ernst & Young and KPMG and the audit team, are adequate safeguards to ensure that the audit process is both objective and effective.

Non-audit services

The committee has adopted a policy on the engagement of the external auditor to provide non-audit services. This policy, designated to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committees.

The committee reviews whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group.

For further details on non-audit services refer to the Investec group's 2014 integrated annual report.

Internal Audit

The committee is responsible for monitoring and reviewing the scope and the effectiveness of the internal audit function. The Investec Limited head of internal audit has a direct reporting line to the chairman of the audit committee and they regularly meet to discuss progress with the audit plans, and setting annual objectives. internal audit was subject to a 'quality assurance review' during the financial year. The review, confirming that we have an effective audit function, identified areas for improving efficiency and streamlining the audit process.

Risks addressed during the year under review

Detailed below are certain of the key areas the committees focused on:

- Monitoring of credit quality and the appropriateness of the allowance for credit losses.

  We discussed with management and the auditors the specific and collective loan provision process, and considered the reasonableness of the allowance relative to the quality of the book and related collateral

- Impairment assessments for goodwill and intangibles

  We discussed with management the methodology and assumptions used for assessing the valuation of goodwill and intangibles

- Risk of inappropriate revenue recognition, valuation of financial instruments, unlisted investments and embedded derivatives including the impact of the implementation of IFRS 13.

  Unlisted investments often require a large degree of subjectivity surrounding the various inputs to their valuations.

  The implementation of IFRS 13 for the first time this year presented additional challenges.

  We discussed with management the assumptions used in the valuations of unlisted investments, including embedded derivatives.

  We confirmed compliance with IFRS 13.

- Inaccurate or improper accounting and financial reporting of large or complex transactions and the impact of implementing IFRS 10, 11 and 12.

  Discussions were held with management and the external auditors with regard to large and complex transactions to ensure compliance with the Accounting Standards

- Cybercrime (IT fraud). The year under review has seen a significant escalation in attempted IT fraud throughout the group. Considerable effort and time have been devoted by management to ensure that IT controls are robust and appropriate solutions are deployed to protect the group from increased threat levels

- Other
  - The adequacy and appropriateness of liquidity management throughout the group's operations
  - Adherence to key regulatory issues facing the group
  - Assessing the internal control weaknesses identified by the assurance providers and ensuring appropriate steps are taken within prescribed and specified time limits to mitigate and remedy such weaknesses.

The auditors provided detailed reporting in respect of these key areas.

Audit committees' structure

The flow chart below depicts the Investec group audit committees' structure and ambit of activities.

Audit committees of Investec plc and Investec Limited | **DLC audit committees**

External auditors
- Planning/budget
- Conflict/independence
- Attest and non-attest fees
- Reports to regulators
- Management letter
- Quality of earnings (overs and unders schedule)
- Appointment/reappointment

Compliance
- Planning/budget
- Resources
- High level reporting of non-compliance
- Monitoring of special projects
- Regulatory matters
- Conduct risk

Tax
- High level only

Internal auditors
- Planning/budget
- Resources
- Annual audit plan
- Adequacy of staffing complement
- Succession planning
- Charter
- Execution
- Reporting
- Special *ad hoc* work
- Review of high level reports
- Internal controls
- Sustainability report

Operational risk
- Fundamental internal controls
- Fraud and loss statistics
- Insurance coverage
- Corporate governance (South African Banks Act requirements)
- Disaster recovery and business continuity
- Key staff issues

Finance
- Accounting policies
- Annual financial statements
  – Half-year results
  – Year-end results
- Production of audited annual financial statements of companies and subsidiaries
- Accounting for one-off transactions
- Accounting updates and conventions – IFRS
- Basel
- Reconciliations
- Regulatory reports
- Representation letters

Audit sub-committees
- Distil only major issues to audit committees

Audit compliance implementation forum
- High level reports

Information technology
- Status
- Major risks, including cybercrime
- Change control
- Capacity management
- Security and fraud awareness
- Staffing
- Projects
- Governance

Current risk review
- Chief executive officer
- Managing director
- Financial director

The audit and compliance implementation forum (ACIF) has been established for Investec Limited and its principal operating subsidiaries. The ACIF meetings are attended by key executives, heads of risk and control functions and the chairman of the audit committee. Non-executive directors have an open invitation to attend.

The forum is key to enhancing risk and control consciousness and the associated control environment of the group. The forum supports and provides important insight to the audit committee. Essentially, the forum acts as a filter, enabling the audit committee to concentrate his efforts on matters of appropriate materiality.

Support structures

Furthermore, audit sub-committees for Investec Limited, and other regulated subsidiaries, have been established. Reports on the risk and control environment of all business units and principal operating subsidiaries are made to one of the audit sub-committees, with significant issues being escalated to the audit committees. These allow senior managers of the business units, who do not attend the main Investec Limited audit committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of the business units. Members of the Investec Limited audit committee are entitled to attend these meetings and, as a general rule, at least one non-executive director attends these meetings.

David Friedland
Chairman, audit committees
23 June 2014

External audit

Investec's external auditors are Ernst & Young Inc and KPMG Inc. The independence of the external auditors is reviewed by the audit committees each year.

The audit committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of each audit committee. Recommendations on the rotation of auditors, as laid out in the Directive 6/2008 of the South African Banks Act, were adhered to during the year under review. Non-audit services are dealt with in terms of an agreed policy.

For further details on non-audit services see note 6 on page 132.

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

Values and code of conduct

We have a strong organisational culture of entrenched values, which form the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as our code of ethics and is continually reinforced.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such all new employees are invited, and are strongly encouraged, to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our organisation development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the human resources practices' manual, available on the intranet.

Company secretary

Benita Coetsee is the company secretary of Investec Limited. Benita has resigned with effect from 30 June 2014 and as from 1 July 2014, Niki van Wyk will assume the role of company secretary of Investec Limited. More information regarding their roles and the review by the board in compliance with the JSE listings requirements is provided in the Investec group's 2014 integrated annual report.

Directorate

Executive directors

(details at the date of this report)

Stephen Koseff (62)

Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Board committees: DLC board risk and capital, DLC capital, DLC social and ethics and global credit

Appointed to the board in October 1986

Stephen joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking.

Other directorships include: Investec Bank Limited and a number of Investec subsidiaries.

Bernard Kantor (64)

Managing director
CTA

Board committees: DLC board risk and capital, DLC capital, DLC social and ethics and global credit

Appointed to the board in June 1987

Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the Trading division, marketing manager and chief operating officer.

Other directorships include: Investec Bank Limited, Phumelela Gaming and Leisure Limited and a number of Investec subsidiaries.

Glynn R Burger (57)

Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Board committees: DLC board risk and capital, DLC capital and global credit

Appointed to the board in July 2002

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Other directorships include: Investec Bank Limited and a number of Investec subsidiaries.

Hendrik du Toit (52)

Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)

Appointed to the board in December 2010

After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management.

Other directorships include: Investment Management Association, Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited as well as their subsidiaries.

Non-executive directors

(details at the date of this report)

Sir David J Prosser* (70)

Joint chairman
BSc (Hons), FIA

Board committees: DLC remuneration, DLC board risk and capital and DLC nominations and directors' affairs

Appointed to the board in March 2006

Sir David was previously chief executive of Legal & General Group plc, joining Legal and General in 1988 as group director (investments) becoming deputy chief executive in January 1991 and group chief executive in September 1991. Sir David was previously chairman of the Financial Services Skills Council.

Other directorships include: Investec Bank Limited and Investec Bank plc (chairman).

Fani Titi* (51)

Joint chairman
BSc (Hons), MA, MBA

Board committees: DLC remuneration, DLC board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Appointed to the board in January 2004

Fani is chairman of Investec Bank Limited and former chairman of Tiso Group Limited and deputy chairman of the Bidvest Group.

Other directorships include: Investec Bank Limited (chairman), Investec Bank plc, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, Kumba Iron Ore Limited (chairman), MTN Group Limited and MRC Media (Pty) Ltd.

* *Joint chairmen with effect from 17 November 2011.*

George FO Alford (65)

Senior independent director
BSc (Econ), FCIS, FIPD

Board committees: DLC audit, Investec plc audit, Investec Limited group audit and DLC nominations and directors' affairs

Appointed to the board in June 2002

George is a former head of private banking and personnel at Kleinwort Benson Group and was a senior adviser to the UK Financial Services Authority. He is former chairman and now director on the Advisory Board of London Metropolitan Business School and chair of the Independent Trust Financing Facility of the Department of Health.

Other directorships include: Investec Bank plc.

Cheryl A Carolus (56)

BA (Law), BEd, Honorary doctorate in Law

Board committees: DLC social and ethics

Appointed to the board in March 2005

Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism.

Other directorships include: De Beers Consolidated Mines Limited, Gold Fields Limited, Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business Group (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, executive chairperson of Peotona Group Holdings (Pty) Ltd and director of a number of the Peotona group companies and International Crisis Group.

Perry KO Crosthwaite (65)

MA (Hons) in modern languages

Board committees: DLC remuneration

Appointed to the board in June 2010

Perry is a former chairman of Investec Investment Banking Securities Limited and director of Investec Bank plc.

Other directorships include: Investec Bank plc, Jupiter Green Investment Trust, Melrose Industries plc, Investec Holdings (Ireland) Limited and Investec Capital and Investments (Ireland) Limited.

Olivia C Dickson (53)

MA (Oxon), MSc (Lon), CDipAF

Board committees: DLC audit, Investec plc audit, Investec Limited group audit and DLC remuneration

Appointed to the board in March 2011

Olivia is a non-executive director and chair of the risk committee of Canada Life Limited. She is also a non-executive director, member of the codes and standards committee and chair of the Actuarial Council of the Financial Reporting Council Limited.

Olivia was previously, among other positions, senior adviser to the Financial Services Authority, a managing director of JP Morgan and a non-executive director and chair of the audit committee of the London International Financial Futures Exchange.

Other directorships include: Canada Life Limited, The Canada Life Group (UK) Limited, Canada Life Asset Management Limited, Financial Reporting Council Limited.

Bradley Fried (48)

BCom, CA(SA), MBA

Board committees: DLC board risk and capital and DLC remuneration

Appointed to the board in April 2010

Bradley previously held the positions of joint head of investment banking and chief executive of Investec Bank plc. He is the chief executive in residence at Judge Business School.

Other directorships include: Investec Wealth & Investment Limited, Grovepoint Capital LLP and non-executive director of the Court of Bank of England.

David Friedland (60)

BCom, CA(SA)

Board committees: DLC audit, Investec Limited group audit, Investec plc audit, DLC board risk and capital, DLC capital and global credit

Appointed to the board in March 2013

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town office.

Other directorships include: Investec Bank Limited, Investec Bank plc, Foschini Group Limited, Pick n Pay Stores Limited.

Haruko Fukuda OBE (67)

MA (Cantab), DSc

Board committees: DLC board risk and capital

Appointed to the board in July 2003

Haruko was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. She is former vice chairman of Nikko Europ plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.

Other directorships include: Investec Bank plc, director of Aberdeen Asian Smaller Companies Investment Trust Plc. She is an adviser to Braj Binani Group of India.

Ian R Kantor (67)

BSc (Eng), MBA

Appointed to the board in July 1980

Other directorships include: Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds an 8.6% interest), Bank Insinger de Beaufort NV (where he is chairman of the management board) Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited.

M Peter Malungani (56)

BCom, MAP, LDP

Board committees: DLC board risk and capital

Appointed to the board in June 2002

Peter is chairman and founder of Peu Group (Pty) Ltd, chairman of the deals and acquisitions committee and a member of the social and ethics committee of Pretoria Portland Cement Limited.

Other directorships include: Phumelela Gaming and Leisure Limited (chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Ltd, Pretoria Portland Cement Limited, Peu Group (Pty) Ltd and a number of Peu subsidiaries.

Peter RS Thomas (69)

CA(SA)

Board committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and global credit

Appointed to the board in June 1981

Peter was the former managing director of The Unisec Group Limited.

Other directorships include: Investec Bank Limited, various Investec subsidiaries, JCI Limited and various unlisted companies.

Details of the board members of our major subsidiaries are available on our website.

Shareholder analysis

Investec ordinary shares

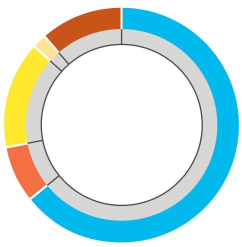
At 31 March 2014 Investec Limited had 282.9 million ordinary shares in issue.

Spread of ordinary shareholders at 31 March 2014

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 183	1 to 500	39.7%	732 663	0.3%
1 561	501 – 1 000	19.4%	1 215 734	0.4%
1 915	1 001 – 5 000	23.8%	4 403 394	1.6%
416	5 001 – 10 000	5.2%	3 079 002	1.1%
529	10 001 – 50 000	6.6%	12 943 426	4.6%
171	50 001 – 100 000	2.1%	12 338 524	4.4%
256	100 001 and over	3.2%	248 221 786	87.6%
8 031		100.0%	282 934 529	100.0%

Geographical holding by beneficial ordinary share owner at 31 March 2014



Investec Limited

South Africa	64.4%
UK	7.8%
USA and Canada	14.7%
Rest of Europe	1.9%
Other countries and unknown	11.2%

Largest ordinary shareholders at 31 March 2014

In accordance with the terms provided for in section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below:

Investec Limited

	Shareholder analysis by manager group	Number of shares	% holding
1	Public Investment Corporation (ZA)	36 303 207	12.8%
2	Allan Gray (ZA)	22 638 951	8.0%
3	Investec Staff Share Scheme (ZA)	19 053 638	6.7%
4	Old Mutual (ZA)	18 750 879	6.6%
5	Sanlam Investment Management (ZA)	14 421 294	5.1%
6	Entrepreneurial Development Trust (ZA)*	11 625 199	4.1%
7	BlackRock Incorporated (UK and US)	10 972 032	3.9%
8	Dimensional Fund Advisors (UK)	10 676 492	3.8%
9	Vanguard Group (UK and US)	7 404 210	2.6%
10	State Street Corporation (US)	6 102 517	2.2%
		157 948 419	55.8%

The top 10 shareholders account for 55.8% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* *In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited Shareholder classification at 31 March 2014.*

Shareholder classification at 31 March 2014

	Number of Investec Limited shares	% holding
Public*	256 438 351	90.7%
Non-public	26 496 178	9.3%
Non-executive directors of Investec plc/Investec Limited	325	–
Executive directors of Investec plc/Investec Limited	7 452 215	2.6%
Investec staff share schemes	19 043 638	6.7%
Total	282 934 529	100.0%

* *As per the JSE listings requirements.*

Share statistics

Investec Limited

For the period ended	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Closing market price per share (Rands)							
– year end	84.84	64.26	47.16	52.80	62.49	38.86	57.43
– highest	85.04	69.89	57.36	65.50	65.40	63.19	104.40
– lowest	59.00	41.31	42.00	49.49	37.51	27.20	50.90
Number of ordinary shares in issue (million)[1]	282.9	279.6	276.0	272.8	269.8	268.4	234.3
Market capitalisation (R'million)[1]	75 652	56 857	41 232	42 768	46 299	27 715	37 766
Daily average volumes of share traded ('000)	810	980	1 033	794	1 068	1 168	841

[1] *The JSE Limited has agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation, i.e. currently a total of 891.7 million shares in issue.*

Investec perpetual preference shares

Investec Limited and Investec Bank Limited have issued perpetual preference shares.

Spread of perpetual preference shareholders at 31 March 2014

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
860	1 to 500	15.3%	283 556	0.9%
1 341	501 – 1 000	23.9%	1 160 221	3.6%
2 538	1 001 – 5 000	45.2%	6 015 271	18.7%
449	5 001 – 10 000	8.0%	3 220 357	10.0%
370	10 001 – 50 000	6.6%	7 055 240	21.9%
18	50 001 – 100 000	0.3%	1 303 024	4.0%
36	100 001 and over	0.7%	13 176 830	40.9%
5 612		100.0%	32 214 499	100.0%

Investec Limited redeemable preference shares

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
747	1 to 500	91.8%	106 072	26.0%
37	501 – 1 000	4.5%	24 960	6.1%
24	1 001 – 5 000	2.9%	60 335	14.8%
2	5 001 – 10 000	0.2%	20 000	4.9%
4	10 001 – 50 000	0.5%	96 952	23.7%
1	50 001 – 100 000	0.1%	100 000	24.5%
–	100 001 and over	–	–	–
815		100.0%	408 319	100.0%

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
829	1 to 500	20.8%	243 180	1.6%
1 139	501 – 1 000	28.6%	1 010 159	6.5%
1 551	1 001 – 5 000	38.9%	3 721 039	24.1%
259	5 001 – 10 000	6.5%	1 917 572	12.4%
170	10 001 – 50 000	4.3%	3 237 160	21.0%
15	50 001 – 100 000	0.4%	1 127 889	7.3%
23	100 001 and over	0.5%	4 190 631	27.1%
3 986		100.0%	15 447 630	100.0%

Largest perpetual preference shareholders at 31 March 2014

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec Limited

Coronation Capital Plus Fund	5.0%
Coronation Strategic Income Fund	5.2%

Investec Limited redeemable preference shares

Investec Securities (Pty) Ltd	6.2%
The Saltzman Family Trust	9.8%
National Savings and Investment (Pty) Ltd	24.5%

Investec Bank Limited

There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Bank Limited at 31 March 2014.

Building trust and credibility among our stakeholders is vital to good business

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the UK Regulators and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations, for example, Australia.

The Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the company secretarial division, ensures that we meet our public disclosure obligations.

We have a board-approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

Employees

- Communication policy
- Quarterly magazine (Impact)
- Comprehensive intranet site
- Staff updates hosted by executive management

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Shareholder road shows and presentations
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Clients

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored client presentations
- Annual and interim reports
- Client relationship managers within the business

Suppliers

- Centralised negotiation process

Rating agencies

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored presentations
- Annual and interim reports

Media

- Regular email and telephonic communication
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Corporate responsibility

Sustainable business practices…

Our sustainability philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on or prolongs life on our planet.

Investec as a responsible corporate

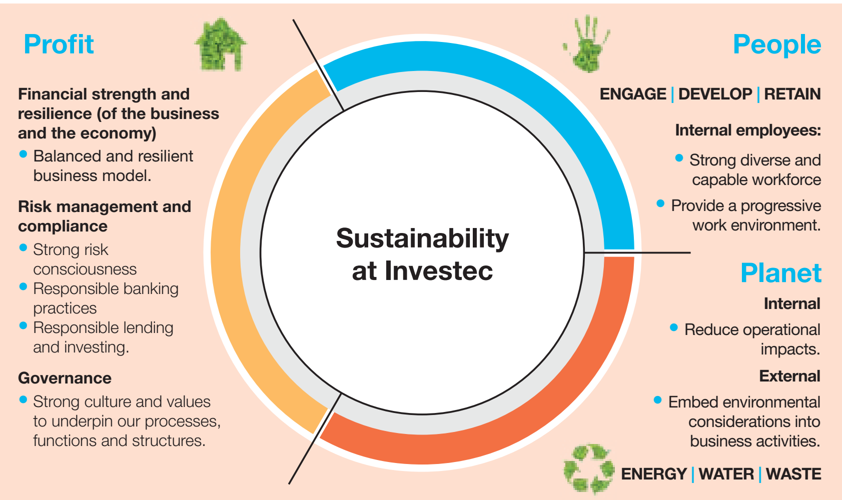
At Investec we recognise that, while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promote trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding, empowered talent, entrepreneurial spirit and regard for the planet are other qualities that fit squarely with the culture of our organisation and our approach to responsible business.

Our culture and values, at the heart of our approach, demonstrate our belief that as an organisation we can and must, if we are to maintain a sustainable business in the long term, have a positive impact on the success and wellbeing of communities local to our offices, the environment and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive, nor exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the principal drivers behind our activities, in a manner that best makes sense to each.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet:



Investec maintained its inclusion in the JSE SRI Index, the FTSE4Good Index*, the Dow Jones Sustainability Index and the Carbon Disclosure Project. Investec group received two awards from the Climate Disclosure Project. Gold recognition status was given for a score of A- on Climate Performance in 2013 and we were also included in the Climate Disclosure Leadership Index 2013 (Top 11 in South Africa across all sectors).

* *FTSE Group confirms that Investec has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice.*

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Annexure 1: Summary employment equity progress report at 31 March 2014

Every designated employer that is a public company is required in terms of section 22 of the Employment Equity Act to publish a summary report of their employment equity progress in their integrated annual report. Investec Limited's progress in this regard is reported in the table below.

Occupational level

	Male			
	African	Coloured	Indian	White
Top management	3		1	16
Senior management	42	24	67	551
Professionally qualified and experienced specialist and mid-management	110	48	64	266
Skilled, academic, junior management, supervisors, foremen and superintendents	84	29	19	20
Semi-skilled and discretionary decision-making	97	18	4	1
Non-permanent	21	3	4	48
Total	357	122	159	902

	Female				Foreign		
	African	Coloured	Indian	White	Male	Female	Total
Top management	1			3			24
Senior management	29	22	51	310	32	16	1 144
Professionally qualified and experienced specialist and mid-management	213	106	169	479	18	25	1 498
Skilled, academic, junior management, supervisors, foremen and superintendents	87	112	39	96	2	3	491
Semi-skilled and discretionary decision-making	68	24	9	7	1	2	231
Non-permanent	18	14	13	43	5	7	176
Total	416	278	281	938	58	53	3 564

Annexure 2: Home loan mortgage disclosure at 31 December 2013

In terms of the Home Loan Mortgage Disclosure Act 63 of 2003, all financial institutions are required to disclose information regarding the provision of home loans. Investec offers home loans to individuals through its Private Banking division. The information required to be disclosed by the Act can be seen in the tables below.

	Total number of applications	Total Rand amount
Approved – no action yet	539	1 105 458 857
Declined	222	470 244 865
Expired (approved, not taken up)	1 684	2 836 252 968
New instruction	12	49 826 667
Taken up	7 617	14 543 006 347

Race groups

	African		Coloured		Indian	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	61	93 368 575	23	48 464 100	45	89 075 828
Declined	59	119 710 347	6	11 641 810	23	41 202 064
Expired (approved, not taken up)	214	311 131 079	63	90 098 606	201	321 714 322
New instruction	2	5 222 280	–	–	–	–
Taken up	808	1 253 989 176	203	309 113 651	513	913 895 625

	White		Other	
	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	320	637 252 395	90	237 297 959
Declined	107	220 721 542	27	76 969 102
Expired (approved, not taken up)	980	1 684 080 032	226	429 228 929
New instruction	7	27 299 387	3	17 305 000
Taken up	4 285	8 391 692 176	1 808	3 674 315 719

Province

	Eastern Cape		Free State	
	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	7	8 185 700	1	1 005 700
Declined	13	17 795 120	6	4 700 000
Expired (approved, not taken up)	34	43 441 780	12	12 570 288
New instruction	1	553 000	–	–
Taken up	329	585 950 914	102	161 799 617

Additional information (continued)

	Gauteng		KwaZulu-Natal	
	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	315	599 658 727	33	91 502 219
Declined	146	323 989 422	37	71 110 476
Expired (approved, not taken up)	1 071	1 886 720 439	111	185 225 461
New instruction	7	33 937 080	2	9 234 535
Taken up	4 480	8 631 208 550	727	1 398 623 915

	Limpopo		Mpumalanga	
	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	5	6 900 700	9	17 134 400
Declined	–	–	5	14 856 400
Expired (approved, not taken up)	9	10 858 400	19	30 805 180
New instruction	–	–	1	4 000 000
Taken up	50	60 779 117	173	252 851 452

* *Approved, however client chose not to draw down.*

	North West		Northern Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	4	6 388 400	1	2 005 000
Declined	2	7 510 700	2	1 578 500
Expired (approved, not taken up)	13	18 942 050	8	9 053 004
New instruction	–	–	–	–
Taken up	90	188 289 828	20	55 830 694

	Port Elizabeth		Western Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Approved – no action yet	–	–	164	372 678 011
Declined	–	–	11	23 801 397
Expired (approved, not taken up)	–	–	407	634 834 656
New instruction	–	–	1	2 102 052
Taken up	1	1 090 000	1 645	3 205 962 260

FOUR

Annual financial
statements

Directors' responsibility statement

The annual financial statements and the group annual financial statements of Investec Limited, as set out on pages 112 to 186, are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, as if Investec Limited were a standalone component of the dual listed companies structure of Investec Limited and Investec plc, as explained in the paragraph of the directors' report headed: 'Purpose and basis of preparation of financial statements', and are prepared in accordance with International Financial Reporting Standards on this basis.

The directors consider that in preparing the annual financial statements, the company and group have used appropriate accounting policies supported by reasonable and prudent judgement and estimates.

The annual financial statements of the company and group have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company and group, key processes in operation and specific enquiries, that adequate resources exist to support the company and group on a going concern basis over the next year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the annual financial statements comply with the Companies Act of South Africa. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of group annual financial statements and company annual financial statements

The group annual financial statements and company annual financial statements of Investec Limited, as identified in the first paragraph, were approved by the board of directors on 23 June 2014 and signed on its behalf by:

On behalf of the boards of Investec plc and Investec Limited

Sir David J Prosser Joint chairman	Fani Titi Joint chairman	Stephen Koseff Chief executive officer

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2014, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Benita Coetsee
Company secretary, Investec Limited

23 June 2014

Independent auditor's report to the members of Investec Limited

We have audited the consolidated and separate annual financial statements of Investec Limited, which comprise the consolidated and separate balance sheets of Investec Limited at 31 March 2014, and its consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and the notes to the annual financial statements which include a summary of significant accounting policies, other explanatory notes, as set out on pages 112 to 186 and the specified disclosures within the risk management section, corporate governance section and directors' report that are marked as audited.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the dual listed companies structure of Investec Limited and Investec plc as explained in the paragraph of the directors' report headed 'Purpose and basis of preparation of the financial statements'. The directors' responsibility includes a responsibility for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Limited at 31 March 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the dual listed companies structure of Investec Limited and Investec plc as explained in the directors' report.

For an understanding of the combined consolidated financial position of the dual listed companies structure of Investec Limited and Investec plc at 31 March 2014 and their combined consolidated financial performance and combined consolidated cash flows for the year then ended, the user is referred to the combined consolidated annual financial statements contained in the 2014 integrated annual report of Investec Limited and Investec plc.

Ernst + Young Inc.

Ernst & Young Inc.
Registered Auditor
Per Ernest van Rooyen
Chartered Accountant (SA)
Director

102 Rivonia Road
Sandton

23 June 2014

KPMG Inc.

KPMG Inc.
Registered Auditor
Per Gavin de Lange
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown

23 June 2014

Directors' report

Extended business review

Investec Limited is part of an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in Southern Africa. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

The operating financial review on pages 13 to 23 provides an overview of our strategic position, performance during the financial year and outlook for the business.

Authorised and issued share capital

Details of the share capital are set out in the Investec group's 2014 integrated annual report.

During the year, the following shares were issued:

- 3 295 365 ordinary shares on 28 June 2013 at R70.00 (R0.0002 par and premium of R69.9998 per share)
- 3 559 572 special convertible redeemable preference shares on 28 June 2013 of R0.0002 each at par
- 217 112 Class ILRP1 redeemable, non-participating preference shares on 19 September 2013 at R1 000.00 (R0.01 par and premium of R999.99 per share)
- 28 842 Class ILRP1 redeemable, non-participating preference shares on 21 October 2013 at R1 002.74 (R0.01 par and premium of R1 002.73 per share)
- 27 236 Class ILRP1 redeemable, non-participating preference shares on 4 December 2013 at R1 008.48 (R0.01 par and premium of R1 008.47 per share)
- 135 129 Class ILRP1 redeemable, non-participating preference shares on 17 March 2014 at R1 010.27 (R0.01 par and premium of R1 010.26 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2014.

At 31 March 2014, Investec Limited held 19.0 million shares in treasury (2013: 19.7 million). The maximum number of shares held in treasury by Investec Limited during the period under review was 19.7 million.

Financial results

The consolidated results of Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2014. The preparation of these consolidated results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

An interim dividend of 131.0 cents per ordinary share (2013: 112.0 cents) was declared to shareholders registered on 13 December 2013 and was paid on 27 December 2013.

The directors have proposed a final dividend of 196.0 cents per ordinary share (2013: 144.0 cents) to shareholders registered on 1 August 2014 to be paid on 15 August 2014. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 7 August 2014.

Preference dividends

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 18 for the period 1 April 2013 to 30 September 2013, amounting to 331.42804 cents per share, was declared to shareholders holding preference shares registered on 6 December 2013 and was paid on 17 December 2013.

Preference dividend number 19 for the period 1 October 2013 to 31 March 2014, amounting to 336.11555 cents per share, was declared to shareholders holding preference shares registered on 13 June 2014 and will be paid on 24 June 2014.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 1 for the period 19 September 2013 to 30 September 2013, amounting to 156.47275 cents per share, was declared to shareholders holding preference shares on 25 October 2013 and was paid on 28 October 2013.

Preference dividend number 2 for the period 1 October 2013 to 31 December 2013, amounting to 1199.62442 cents per share, was declared to shareholders holding preference shares on 24 January 2014 and was paid on 27 January 2014.

Preference dividend number 3 for the period 1 January 2014 to 31 March 2014, amounting to 1220.33405 cents per share, was declared to shareholders holding preference shares on 25 April 2014 and was paid on 29 April 2014.

Redeemable cumulative preference shares

Dividends amounting to R23 731 999.98 were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 96 and 97.

In accordance with the UK Corporate Governance Code (which Investec plc is subject to and therefore impacts the DLC and Investec Limited governance requirements), the entire board will offer itself for re-election at the 2014 annual general meeting, other than GFO Alford, OC Dickson and MP Malungani who will not offer themselves for re-election.

SE Abrahams retired from the board on 8 August 2013.

As from 1 July 2014, the company secretary of Investec Limited is Niki van Wyk. Benita Coetsee resigned with effect from 30 June 2014.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec group's 2014 integrated annual report.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on page 28 and pages 88 to 95.

Share incentives

Details regarding options granted during the year are set out in the Investec group's 2014 integrated annual report.

Audit committees

As allowed under the Companies Act, No 71 of 2008, as amended, and the Banks Act No 96 of 1990, as amended, the audit committee of Investec Limited performs the necessary functions required on behalf of Investec Limited and its subsidiaries.

The audit committees comprising non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

The report to shareholders by the chairman of the audit committee can be found on pages 91 to 94.

Social and ethics committee

As allowed under the Companies Act, No 71 of 2008, as amended, the social and ethics committee of the group performs the necessary functions required on behalf of Investec Bank Limited. Further details on the role and responsibilities of the social and ethics committee are set out in the Investec group's 2014 integrated annual report.

Auditors

Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as auditors of Investec Limited.

A resolution to re-appoint them as auditors will be proposed at the annual general meeting scheduled to take place on 7 August 2014.

Contracts

Refer to the Investec group's 2014 integrated annual report.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on page 165.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 98.

Special resolutions

At the general meeting held on 9 July 2013, the following special resolutions were passed in terms of which:

- The authorised share capital of Investec Limited was reduced by the cancellation of the authorised, but unissued 40 000 000 class 'A' variable rate, compulsorily convertible, non-cumulative preference shares
- The Memorandum of Incorporation (MOI) was amended to remove all references to the class 'A' variable rate, compulsorily convertible, non-cumulative preference shares
- The authorised share capital of Investec Limited was increased by the creation of 50 000 000 redeemable, non-participating preference shares with a par value of R0.01 each
- Annexure A to the MOI was amended so as to include the newly created 50 000 000 redeemable, non-participating preference shares
- The MOI was amended so as to incorporate the Programme Preference Share terms and conditions as Annexure B to the MOI, to codify the interpretation rules between the MOI and Annexure B and to clarify the power of the directors to amend the provisions of the MOI as required in terms of section 36(4) of the Companies Act 2008.

At the annual general meeting held on 8 August 2013, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008
- Clause 2 of the MOI was amended by the insertion of a new unnumbered clause
- Deletion of clause 3.2 of the MOI
- Articles 34.2, 153.1(g) and 155.2(j) of the MOI of Investec Limited was amended by the deletion of certain paragraphs and the replacement thereof by new paragraphs
- The authorised share capital of Investec Limited was increased by the creation of 20 000 000 non-redeemable, non-cumulative, non-participating preference shares
- Annexure A to the MOI was amended so as to include the new created 20 000 000 non-redeemable, non-cumulative, non-participating preference shares
- The MOI was amended so as to incorporate the Programme Preference Share terms and conditions as Annexure B to the MOI, to codify the interpretation rules between the MOI and Annexure B and to clarify the power of the directors to amend the provisions of the MOI as required in terms of section 36(4) of the Companies Act 2008.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable South African law and International Financial Reporting Standards.

Purpose and basis of preparation of financial statements

Under the contractual arrangements implementing the dual listed companies (DLC) structure, Investec Limited and Investec plc, the latter a company incorporated in the United Kingdom, effectively form a single economic enterprise, in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined consolidated financial statements have been separately prepared.

The Companies Act of South Africa does not specifically envisage a reporting structure such as the DLC structure. The combined consolidated financial statements of Investec Limited and Investec plc are considered the statutory financial statements of Investec Limited and Investec plc. The attached annual financial statements and the group annual financial statements of Investec Limited are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, in the absence of a DLC structure, and are prepared in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the DLC structure, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement. For an understanding of the financial position, results and cash flows of the Investec DLC structure the user is referred to the combined consolidated financial statements of Investec Limited and Investec plc.

These policies are set out on pages 119 to 127.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 25 to 85.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 123 amd 124 and in notes 22 and 51.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided in the Investec group's 2014 integrated annual report.

Political donations and expenditure

Invested Limited made political donations totalling R2.5 million in 2014 (2013: Rnil).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information is set out in the Investec group's 2014 integrated annual report.

Subsequent events

There are no material facts or circumstances which occurred between the balance sheet date and the date of this report that would require adjustment or disclosure in the annual financial statements.

Going concern

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be a going concern in the year ahead.

Research and development

In the ordinary course of business Investec develops new products and services in each of its business divisions.

The board considers that this integrated annual report and annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the boards of Investec plc and Investec Limited

Sir David J Prosser
Joint chairman

Fani Titi
Joint chairman

Stephen Koseff
Chief executive officer

23 June 2014

Income statements

For the year to 31 March R'million	Notes	Group 2014	 2013	Company 2014	 2013
Interest income	2	17 453	16 155	69	74
Interest expense	2	(12 700)	(11 564)	(31)	(27)
Net interest income		4 753	4 591	38	47
Fee and commission income	3	5 972	4 804	–	–
Fee and commission expense	3	(246)	(135)	(5)	–
Investment income	4	1 069	1 099	1 578	2 224
Trading income arising from					
– customer flow		432	174	–	–
– balance sheet management and other trading activities		309	213	42	–
Other operating income	5	42	77	–	–
Total operating income before impairment losses on loans and advances		12 331	10 823	1 653	2 271
Impairment losses on loans and advances	25	(636)	(833)	–	–
Operating income		11 695	9 990	1 653	2 271
Operating costs	6	(6 718)	(6 118)	64	(76)
Operating profit before goodwill impairment		4 977	3 872	1 717	2 195
Impairment of goodwill	32	(27)	(24)	–	–
Operating profit		4 950	3 848	1 717	2 195
Operating costs arising from partial disposal of subsidiary		(31)	–	–	–
Gain on partial disposal of subsidiary		–	–	641	–
Profit before taxation		4 919	3 848	2 358	2 195
Taxation	8	(825)	(608)	42	(1)
Profit after taxation		4 094	3 240	2 400	2 194
Earnings attributable to non-controlling interests		(367)	(3)	–	–
Earnings attributable to shareholders		3 727	3 237	2 400	2 194

Statements of total comprehensive income

For the year to 31 March R'million	Notes	Group 2014	 2013	Company 2014	 2013
Profit after taxation		4 094	3 240	2 400	2 194
Other comprehensive income:					
Items that may be reclassified to the income statement:					
Fair value movements on cash flow hedge movements taken directly to other comprehensive income	8	(75)	(193)	–	–
Gain on realisation of available-for-sale assets recycled through the income statement	8	(2)	(39)	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	23	78	–	–
Foreign currency adjustments on translating foreign operations		482	480	–	–
Total comprehensive income		4 522	3 566	2 400	2 194
Total comprehensive income attributable to non-controlling interests		367	3	–	
Total comprehensive income attributable to ordinary shareholders		3 836	3 238	2 188	1 978
Total comprehensive income attributable to perpetual preference shareholders		319	325	212	216
Total comprehensive income		4 522	3 566	2 400	2 194

Balance sheets

At 31 March R'million	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Assets					
Cash and balances at central banks	16	5 927	5 677	–	–
Loans and advances to banks	17	35 169	25 376	31	30
Non-sovereign and non-bank cash placements		9 045	5 875	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	18	8 419	15 846	–	–
Sovereign debt securities	19	34 815	33 730	–	–
Bank debt securities	20	22 355	20 969	–	–
Other debt securities	21	10 112	7 006	3	435
Derivative financial instruments	22	12 299	12 159	–	–
Securities arising from trading activities	23	4 975	3 598	–	–
Investment portfolio	24	8 657	8 202	–	41
Loans and advances to customers	25	149 354	135 733	–	–
Own originated loans and advances to customers securitised	26	7 516	6 130	–	–
Other loans and advances	25	552	672	–	–
Other securitised assets	26	1 968	1 584	–	–
Interests in associated undertakings	27	52	45	–	–
Deferred taxation assets	28	457	531	–	–
Other assets	29	5 925	8 444	5	55
Property and equipment	30	752	644	–	–
Investment properties	31	7 857	6 147	–	–
Goodwill	32	118	145	–	–
Intangible assets	33	102	90	–	–
Investments in subsidiaries	34	–	–	15 720	14 424
Non-current assets classified as held for sale		731	–	–	
		327 157	298 603	15 759	14 985
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	35	102 934	86 893	–	–
		430 091	385 496	15 759	14 985
Liabilities					
Deposits by banks		22 902	17 861	–	–
Derivative financial instruments	22	9 259	9 237	–	–
Other trading liabilities	36	8 247	6 687	–	–
Repurchase agreements and cash collateral on securities lent	18	17 686	18 188	–	–
Customer accounts (deposits)		204 903	185 311	–	–
Debt securities in issue	37	8 556	6 147	808	400
Liabilities arising on securitisation of own originated loans and advances	26	4 924	6 259	–	–
Liabilities arising on securitisation of other assets	26	156	588	–	–
Current taxation liabilities	38	1 770	1 720	107	247
Deferred taxation liabilities	28	463	390	–	–
Other liabilities	39	6 666	7 214	119	124
		285 532	259 602	1 034	771
Liabilities to customers under investment contracts	35	102 906	86 864	–	–
Insurance liabilities, including unit-linked liabilities	35	28	29	–	–
		388 466	346 495	1 034	771
Subordinated liabilities	40	10 498	14 455	–	–
		398 964	360 950	1 034	771
Equity					
Ordinary share capital	41	1	1	1	1
Share premium	43	10 045	9 814	10 094	9 863
Treasury shares	44	(952)	(954)	–	–
Other reserves		694	203	62	62
Retained income		16 702	13 938	4 568	4 288
Shareholders' equity excluding non-controlling interests		26 490	23 002	14 725	14 214
Non-controlling interests	45	4 637	1 544	–	
– Perpetual preferred securities issued by subsidiaries		1 534	1 534	–	–
– Non-controlling interests in partially held subsidiaries		3 103	10	–	–
Total equity		31 127	24 546	14 725	14 214
Total liabilities and equity		430 091	385 496	15 759	14 985

Cash flow statements

For the year to 31 March R'million	Notes	Group 2014	 2013	Company 2014	 2013
Cash flows from operating activities					
Operating profit adjusted for non-cash items	47	6 010	5 393	1 429	2 311
Taxation paid		(529)	(602)	(98)	(1)
Increase in operating assets	47	(36 959)	(46 344)	523	(341)
Increase operating liabilities	47	40 709	29 228	403	68
Net cash inflow/(outflow) from operating activities		9 231	(12 325)	2 257	2 037
Cash flows from investing activities					
Cash flow on acquisition of property, equipment and intangible assets		(373)	(315)	–	–
Cash flow on disposal of property, equipment and intangible assets		62	53	–	–
Net cash outflow from investing activities		(311)	(262)	–	–
Cash flows from financing activities					
Dividends paid to ordinary shareholders		(1 578)	(1 383)	(1 620)	(1 425)
Dividends paid to other equity holders		(424)	(328)	(212)	(216)
Proceeds on issue of ordinary shares, net of related costs		231	159	231	159
Cash flow on net acquisition of treasury shares, net of related costs		(770)	(401)	–	–
Issue of shares to non-controlling interests		707	–	–	–
Proceeds on partial disposal of subsidiary		668	–	–	–
Proceeds on a issue of other equity instruments		–	303	–	303
Proceeds on subordinated debt raised		810	6 335	–	–
Reduction in subordinated debt		(2 807)	(1 508)	–	–
Net decrease in subsidiaries and loans to group companies		–	–	(655)	(856)
Net cash (outflow)/inflow from financing activities		(3 163)	3 177	(2 256)	(2 035)
Effects of exchange rates on cash and cash equivalents		129	169	–	–
Net increase/(decrease) in cash and cash equivalents		5 886	(9 241)	1	2
Cash and cash equivalents at the beginning of the year		17 072	26 313	30	28
Cash and cash equivalents at the end of the year		22 958	17 072	31	30
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		5 927	5 677	–	–
On demand loans and advances to banks		7 986	5 520	31	30
Non-sovereign and non-bank cash placements		9 045	5 875	–	–
Cash and cash equivalents at the end of the year		22 958	17 072	30	30

Note:
Cash and cash equivalents have a maturity profile of less than three months.

Statements of changes in equity

R'million	Ordinary share capital	Share premium	Treasury shares
Group			
At 1 April 2012	1	9 352	(825)
Movement in reserves 1 April 2012 – 31 March 2013			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–
Gain on available-for-sale assets recycled to the income statement	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income for the year	–	–	–
Issue of ordinary shares	–	159	–
Issue of perpetual preference shares	–	303	–
Movement of treasury shares	–	–	(401)
Share-based payment adjustments	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	272
Dividends declared to perpetual preference shareholders	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to non-controlling interests	–	–	–
At 31 March 2013	1	9 814	(954)
Movement in reserves 1 April 2013 – 31 March 2014			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–
Gain on available-for-sale assets recycled to the income statement	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income for the year	–	–	–
Issue of ordinary shares	–	231	–
Movement of treasury shares	–	–	(771)
Share-based payment adjustments	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	773
Transfer from retained income to regulatory reserve	–	–	–
Partial disposal of group operations	–	–	–
Movement in non-controlling interest due to capital conversion of subsidiary	–	–	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–
Dividends declared to perpetual preference shareholders included in non-controlling interests	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to non-controlling interests	–	–	–
At 31 March 2014	1	10 045	(952)

Other reserves								
Capital reserve account	Available-for-sale reserves	Regulatory general risk reserve	Foreign currency reserve	Cash flow hedge reserve	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total
61	20	319	(270)	(253)	12 293	20 698	1 544	22 242
–	–	–	–	–	3 237	3 237	3	3 240
–	–	–	–	(193)	–	(193)	–	(193)
–	78	–	–	–	–	78	–	78
–	(39)	–	–	–	–	(39)	–	(39)
–	–	–	480	–	–	480	–	480
–	39	–	480	(193)	3 237	3 563	3	3 566
–	–	–	–	–	–	159	–	159
–	–	–	–	–	–	303	–	303
–	–	–	–	–	–	(401)	–	(401)
–	–	–	–	–	388	388	–	388
–	–	–	–	–	(272)	–	–	–
–	–	–	–	–	(325)	(325)	109	(216)
–	–	–	–	–	–	–	(109)	(109)
–	–	–	–	–	(1 383)	(1 383)	–	(1 383)
–	–	–	–	–	–	–	(3)	(3)
61	59	319	210	(446)	13 938	23 002	1 544	24 546
–	–	–	–	–	3 727	3 727	367	4 094
–	–	–	–	(75)	–	(75)	–	(75)
–	23	–	–	–	–	23	–	23
–	(2)	–	–	–	–	(2)	–	(2)
–	–	–	482	–	–	482	–	482
–	21	–	482	(75)	3 727	4 155	367	4 522
–	–	–	–	–	–	231	–	231
–	–	–	–	–	–	(771)	–	(771)
–	–	–	–	–	485	485	–	485
–	–	–	–	–	(773)	–	–	–
–	–	63	–	–	(63)	–	–	–
–	–	–	–	–	1 285	1 285	164	1 449
–	–	–	–	–	–	–	2 044	2 044
–	–	–	–	–	–	–	623	623
–	–	–	–	–	(319)	(319)	108	(211)
–	–	–	–	–	–	–	(108)	(108)
–	–	–	–	–	(1 578)	(1 578)	–	(1 578)
–	–	–	–	–	–	–	(105)	(105)
61	80	382	692	(521)	16 702	26 490	4 637	31 127

Statements of changes in equity (continued)

R'million	Ordinary share capital	Share premium	Capital reserve account	Retained income	Total equity
Company					
At 1 April 2012	1	9 401	62	3 619	13 083
Movement in reserves 1 April 2012 – 31 March 2013					
Profit after taxation	–	–	–	2 194	2 194
Total comprehensive income	–	–	–	2 194	2 194
Issue of ordinary shares	–	159	–	–	159
Issue of perpetual preference shares	–	303	–	–	303
Share-based payment adjustments	–	–	–	116	116
Dividends paid to ordinary shareholders	–	–	–	(1 425)	(1 425)
Dividends paid to perpetual preference shareholders	–	–	–	(216)	(216)
At 31 March 2013	1	9 863	62	4 288	14 214
Movement in reserves 1 April 2013 – 31 March 2014					
Profit after taxation	–	–	–	2 400	2 400
Total comprehensive income	–	–	–	2 400	2 400
Issue of ordinary shares	–	231	–	–	231
Share-based payment adjustments	–	–	–	(288)	(288)
Dividends paid to ordinary shareholders	–	–	–	(1 620)	(1 620)
Dividends paid to perpetual preference shareholders	–	–	–	(212)	(212)
At 31 March 2014	1	10 094	62	4 568	14 725

Accounting policies

Basis of presentation

The group and company annual financial statements are prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Standards Council, as well as the requirements of the Companies Act in addition to International Financial Reporting Standards, as if Investec Limited were a standalone component of the DLC structure as explained in the director's report but with earnings per share and specific directors' remuneration disclosed in the combined consolidated annual financial statements of Investec plc and Investec Limited by virtue of the sharing arrangement.

The group and company annual financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting, that have been measured at fair value.

Accounting policies applied are consistent with those of the prior year except for restatements referred below. 'Group' refers to group and company in the accounting policies that follow.

Presentation of information

Disclosure under IFRS 7 – Financial Instruments: Disclosures and IAS 1 – Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report and corporate governance sections on pages 25 to 85.

Certain disclosures required under IAS 24 – Related Party Disclosures have been included in the section marked as audited in the remuneration report in the combined consolidated annual financial statements of Investec Limited and Investec plc.

Restatements and presentation of information

The group has adopted the following new or revised standards from 1 April 2013:

IAS 1 – Presentation of Financial Statements (Revised)

The amendments require entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The amendments further require tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items.

IFRS 7 – Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The revisions to the standard came into effect from 1 April 2013 and require additional disclosures which are provided in note 53.

IFRS 10 – Consolidated Financial Statements

The application of the single definition of control contained in the standard has not had a material impact on the group.

IFRS 11 – Joint Arrangements

The new accounting standard came into effect from 1 April 2013 and has not had any impact on the group.

IFRS 12 – Disclosure of Interests in Other Entities

The new disclosure standard has been applied retrospectively and requires disclosure of the significant judgements and assumptions made in determining the nature of interests in subsidiaries, joint ventures and interest in associated undertakings and the interest that non-controlling interests have in the group's activities and cash flows. The standard further provides disclosure requirements relating to consolidated and unconsolidated structured entities with which the group is associated. The disclosures relating to unconsolidated structured entities are not required to include comparative information in the first year of application.

IFRS 13 – Fair Value Measurement

The new accounting standard has been applied prospectively from 1 April 2013. The standard defines fair value as being a market-based measurement and sets out in a single IFRS a framework for the measurement of fair value. Application of the standard has not had a material impact on the recognition and measurement of assets and liabilities of the group.

Basis of consolidation

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

Investec performs a re-assessment of consolidation whenever there is a change in the substance of the relationship between Investec and an entity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

For equity accounted associates, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

Investments in subsidiaries (including loan advances to subsidiaries) are accounted for at cost less impairment losses.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely Asset Management, Wealth & Investment and Specialist Banking.

For further detail on the group's segmental reporting basis refer to pages 4 and 5 of the financial review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is re-measured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period in which the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

All entities of the group account for any share-based payment recharge costs allocated to equity in the period during which it is levied in their separate annual financial statements. Any excess over and above the recognised share-based payment expense is accounted for as an expense within profit or loss. This cost is presented with dividend income in note 7.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for a modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date, of modification.

Foreign currency transactions and foreign operations

The presentation currency of the group is South African Rand, being the functional currency of the company, and the currency in which the company mainly operates, except Mauritius which is in US Dollars.

Foreign operations are subsidiaries, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency items are translated as follows:

- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in the income statement.
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is recognised in the income statement upon disposal of the net investment.
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- Income and expense items are translated at exchange rates ruling at the date of the transaction.
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation.
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when the related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life.

Fee and commission income includes fees earned from providing advisory services as well as portfolio management and includes rental income from investment properties.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Trading income arising from customer flow includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from the balance sheet management.

Trading profits are shown net of the funding costs of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings and income from assurance activities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial fair value. All other transaction costs are recorded in the income statement immediately.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss.

Financial instruments classified as held-for-trading or designated as held at fair value through profit or loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- It eliminates or significantly reduces an inconsistent measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; and
- A contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables Loans and receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held-for-trading and those that the group designates at fair value through profit or loss.
- Those that the group designates as available-for-sale.
- Those for which the group may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages. The group also trades in structured credit investments.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. The group's exposure to the structured entities are the reserves provided as credit enhancement to the holders of the structured entities debt securities, with the first loss position treated as a long-term interest-bearing borrowing to the structured entities.

The structured entities are consolidated under IFRS 10 – Consolidated Financial Statements when the group has exposure to or rights to, variable returns from its involvement with the investee and have the ability to affect those returns through its power over the investee.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial assets are recognised in the income statement when the right of payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified.

Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held-for-trading or designated as held at fair value through profit or loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest rate method.

Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss are measured at fair value.

All changes in fair value of financial liabilities are recognised in the income statement.

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable or when the instrument is derecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for impairment at each balance sheet date and when an indicator of impairment is identified.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group.

An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risk and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in rare circumstances, non-derivative financial assets out of the held-for-trading category into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

Derivative instruments transacted as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives of the group are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit and loss, based on the current market price or re-measured price.

Hedge accounting

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument, relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income arising from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, at a fixed price or a selling price plus a lender's return, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

The cash collateral from agency based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the group is the lessor and included in liabilities where the group is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals (if any) are accrued to the income statement when incurred.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment is as follows:

- Computer and related equipment 20% – 33%
- Motor vehicles 20% – 25%
- Furniture and fittings 10% – 20%
- Freehold buildings 2%
- Leasehold improvements*

* *Leasehold improvements' depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.*

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment property

Properties held by the group which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried at fair value, with fair value gains and losses recognised in the income statement in 'investment income'.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Dealing properties

Dealing properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the expected useful life of the asset (currently three to eight years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets, other than investment property for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversal is identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current tax payable is provided on the amount expected to be payable on taxable profits at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit.
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

Employee benefits

The group operates various defined contribution schemes.

All employer contributions are charged to income as incurred, in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post-retirement benefits.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments will replace certain key elements of IAS 39 when finally issued. The two key elements that would impact the group's accounting policies include:

- Classification and measurement of financial assets and financial liabilities – the standard requires that all financial assets be classified as either held at fair value or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk are taken directly to other comprehensive income without recycling. These are current deliberations which may result in limited modifications to IFRS 9 relating to classification and measurement.
- Impairment methodology – The key change is related to a shift from an incurred loss to an expected loss impairment methodology. Revisions to the methodology are subject to deliberation, with the section of the standard on impairment currently expected to be published in 2014.

The amendments made to IFRS 9 in February 2014 provide that the mandatory effective date for IFRS 9 is from 2018. However, entities may still choose to apply IFRS 9 immediately.

There are additional disclosures and consequential amendments in IFRS 7 resulting from the introduction of the hedge accounting chapter in IFRS 9; these will become effective when IFRS 9 is applied.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

In preparation of the annual financial statements the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility.

  Details of unlisted investments can be found in note 24 with further analysis contained in the risk management section on page 53.

- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Properties in the listed Fund are valued according to the JSE listings requirements.

  Refer to note 31 for the carrying value of investment property with further analysis contained in the risk management section on page 53.

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature.

  Refer to pages 28 to 51 of the risk management section for further analysis on impairments.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.
- In order to meet the objectives of IFRS 12, management performs an assessment of the value of each associate in relation to the value of total assets as well as any qualitative considerations that may exist in order to determine materiality to the reporting entity for disclosure purposes.

For the year to 31 March R'million	Asset Management	Wealth & Investment	Specialist Banking	Total
1. Combined consolidated segmental analysis				
Group				
Business analysis				
2014				
Net interest income	58	(4)	4 699	4 753
Fee and commission income	2 643	968	2 361	5 972
Fee and commission expense	–	(35)	(211)	(246)
Investment income	–	6	1 063	1 069
Trading income arising from				
– customer flow	–	17	415	432
– balance sheet management and other trading activities	5	2	302	309
Other operating income	49	–	(7)	42
Total operating income before impairment losses on loans and advances	2 755	954	8 622	12 331
Impairment losses on loans and advances	–	–	(636)	(636)
Operating income	2 755	954	7 986	11 695
Operating costs	(1 528)	(631)	(4 559)	(6 718)
Operating profit before goodwill	1 227	323	3 427	4 977
Impairment of goodwill	(27)	–	–	(27)
Operating profit	1 200	323	3 427	4 950
Operating costs arising from partial disposal of subsidiary	–	–	(31)	(31)
Profit before taxation	1 200	323	3 396	4 919
Earnings attributable to non-controlling interests	(93)	–	(274)	(367)
Profit before taxation after non-controlling interests	1 107	323	3 122	4 552
Cost to income ratio	55.5%	66.1%	52.9%	54.5%
Total assets (excluding assurance assets)	2 341	8 865	315 951	327 157
2013				
Net interest income	54	(18)	4 555	4 591
Fee and commission income	2 366	742	1 696	4 804
Fee and commission expense	–	(13)	(122)	(135)
Investment income	–	–	1 099	1 099
Trading income arising from				
– customer flow	–	4	170	174
– balance sheet management and other trading activities	2	5	206	213
Other operating income	70	–	7	77
Total operating income before impairment losses on loans and advances	2 492	720	7 611	10 823
Impairment losses on loans and advances	–	–	(833)	(833)
Operating income	2 492	720	6 778	9 990
Operating costs	(1 402)	(495)	(4 221)	(6 118)
Operating profit before goodwill	1 090	225	2 557	3 872
Impairment of goodwill	(24)	–	–	(24)
Profit before taxation	1 066	225	2 557	3 848
Earnings attributable to non-controlling interests	(3)	–	–	(3)
Profit before taxation after non-controlling interests	1 063	225	2 557	3 845
Cost to income ratio	56.3%	68.8%	55.5%	56.5%
Total assets (excluding assurance assets)	2 464	7 776	288 363	298 603

The company's activities mainly comprises central funding activities within the Specialist Banking segment.

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide the information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is centrally held.

No geographical analysis has been presented as the group only operates in one geographical segment, namely Southern Africa.

2. Margin analysis

For the year to 31 March R'million	Notes	Group 2014 Balance sheet value	Group 2014 Interest income	Group 2013 Balance sheet value	Group 2013 Interest income	Company 2014 Balance sheet value	Company 2014 Interest income	Company 2013 Balance sheet value	Company 2013 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	115 730	4 679	107 473	4 225	31	1	30	1
Core loans and advances	2	156 870	12 102	141 863	11 419	–	–	–	–
Private client		105 769	7 722	96 313	7 455	–	–	–	–
Corporate, institutional and other clients		51 101	4 380	45 550	3 964	–	–	–	–
Other debt securities and other loans and advances		10 664	519	7 678	247	3	15	435	11
Other interest-earning assets	3	1 968	153	1 584	264	309	53	256	62
Total interest-earning assets		285 232	17 453	258 598	16 155	343	69	721	74

For the year to 31 March R'million	Notes	Group 2014 Balance sheet value	Group 2014 Interest expense	Group 2013 Balance sheet value	Group 2013 Interest expense	Company 2014 Balance sheet value	Company 2014 Interest paid	Company 2013 Balance sheet value	Company 2013 Interest expense
Deposits by banks and other debt related securities	4	49 144	(981)	42 196	(947)	808	(31)	400	(27)
Customer accounts (deposits)		204 903	(10 305)	185 311	(8 941)	–	–	–	–
Other interest-bearing liabilities	5	5 080	(653)	6 847	(741)	–	–	–	–
Subordinated liabilities		10 498	(761)	14 455	(935)	–	–	–	–
Total interest-bearing liabilities		269 625	(12 700)	248 809	(11 564)	808	(31)	400	(27)
Net interest income			4 753		4 591		38		47

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. For the company, intergroup loans have been included in this amount.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

For the year to 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
3. Fees and commissions				
Asset management and wealth management businesses net fee and commission income	3 576	3 095	–	–
Fund management fees/fees for assets under management	3 086	2 711	–	–
Private client transactional fees	525	397	–	–
Fee and commission expense	(35)	(13)	–	–
Specialist Banking net fee and commission income	2 150	1 574	(5)	–
Corporate and institutional transactional and advisory services	1 913	1 249	–	–
Private client transactional fees	448	447	–	–
Fee and commission expense	(211)	(122)	(5)	–
Net fee and commission income	5 726	4 669	(5)	–
Annuity fees (net of fees payable)	4 158	3 466	(5)	–
Deal fees	1 568	1 203	–	–

Trust and fiduciary fees amounted to R22.2 million (2013: R24.7 million) for the group and Rnil for the company and is included in private client transactional fees.

For the year to 31 March R'million	Asset portfolio: Investment portfolio (listed and unlisted equities)*	Asset portfolio: Debt securities (sovereign, bank and other)	Asset portfolio: Investment properties	Asset portfolio: Other asset categories	Total
4. Investment income					
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:					
Group					
2014					
Realised	275	–	147	(29)	393
Unrealised	22	(194)	280	(6)	102
Dividend income	663	–	–	–	663
Funding and other net related (costs)/income	(168)	–	(26)	105	(89)
	792	(194)	401	70	1 069
2013					
Realised	727	–	843	(36)	1 534
Unrealised	(288)	66	(132)	(1)	(355)
Dividend income	163	–	–	–	163
Funding and other net related (costs)/income	(169)	–	(98)	24	(243)
	433	66	613	(13)	1 099

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

For the year to 31 March R'million	Asset portfolio Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
4. Investment income (continued)					
Company					
2014					
Unrealised	(41)	–	–	–	(41)
Dividend income	–	–	–	1 619	1 619
	(41)	–	–	1 619	1 578
2013					
Realised	–	–	–	591	591
Dividend income	–	–	–	1 633	1 633
	–	–	–	2 224	2 224

For the year to 31 March R'million	Group 2014	2013
5. Other operating income		
Rental income from properties	–	4
Loss on realisation of fixed assets	(7)	(7)
Unrealised gains on investments	49	59
Assurance income	–	21
	42	77

For the year to 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
6. Operating costs				
Staff costs	4 520	3 995	(68)	76
– Salaries and wages (including directors' remuneration)^	3 728	3 302	–	60
– Training and other costs	120	91	–	–
– Share-based payment expense	451	388	(68)	16
– Social security costs	41	51	–	–
– Pensions and provident fund contributions	180	163	–	–
Premises (excluding depreciation)	455	419	–	–
Equipment (excluding depreciation)	399	469	–	–
Business expenses*	833	770	4	–
Marketing expenses	326	297	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	185	168	–	–
	6 718	6 118	(64)	76
The following amounts were paid to the auditors:				
Audit fees	60	51	10	7
Other services	6	4	1	–
	66	55	11	7
Audit fees by audit firm:				
Ernst & Young Inc.	34	28	7	6
KPMG Inc.	32	27	4	1
	66	55	11	7
Minimum operating lease payments recognised in operating costs	393	295	–	–

^ *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report in the combined consolidated annual financial statements of Investec plc and Investec Limited.*

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscription costs.*

For the year to 31 March R'million	Group Asset Management	 Wealth & Investment	 Specialist Banking	 Total group

7. Share-based payments

The group operates share option and share purchase schemes for employees, which are on an equity-settled basis. The purpose of the staff share schemes is to promote an *esprit de corps* within the group, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the remuneration report of the combined consolidated financial statements of Investec plc and Investec Limited and on our website.

Equity-settled share-based payments expense charged to income statement	Asset Management	Wealth & Investment	Specialist Banking	Total group
2014^	84	46	355	485
2013	47	32	309	388

^ *Of the R485 million charge, R451 million is included in operating costs and R34 million is an accelerated share-based payment charge that is included in the income statement in operating costs from partial disposal of subsidiary.*

Number of share options For the year to 31 March	Group 2014	 2013
Details of options outstanding during the year		
Outstanding at the beginning of the year	44 300 546	42 423 893
Granted during the year	13 549 614	8 609 725
Exercised during the year	(11 643 554)	(5 168 582)
Expired during the year	(1 731 421)	(1 564 490)
Outstanding at the end of the year	44 475 185	44 300 546
Exercisable at the end of the year	5 332	445 767

The weighted average exercise price for all options is Rnil (2013: Rnil).

The weighted average share price during the year was R68.06 (2013: R52.76). The income statement charge due to modifications is Rnil (2013: R1 million).

At 31 March	Group 2014	Group 2013
7. Share-based payments (continued)		
The exercise price range and weighted average remaining contractual life for the options outstanding, were as follows:		
Long-term incentive options with no strike price		
Weighted average remaining contractual life	2.72 years	2.67 years
Weighted average fair value of options granted at measurement date	R51.73	R34.31
The fair values of options granted were calculated using a Black-Scholes option pricing model.		
For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grants	R66.84 – R71.20	R43.85 – R56.86
– Exercise price	Rnil	Rnil
– Expected volatility	30%	30%
– Option life	3 – 6 years	2.5 – 5 years
– Expected dividend yields	3.89% – 5.08%	5.42% – 6.70%
– Average risk-free rate	6.04% – 7.08%	5.46% – 6.29%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

For information on the share options granted to directors, refer to the remuneration report in the combined consolidated annual financial statements of Investec plc and Investec Limited.

For the year to 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
8. Taxation				
Income statement taxation charge				
South Africa				
– Current taxation	658	602	(42)	1
in respect of current year	756	643	74	1
in respect of prior year adjustments	(98)	(41)	(116)	–
– Capital gains taxation	2	84	–	–
– Deferred taxation	146	(96)	–	–
Total South African taxation	806	590	(42)	1
Foreign current taxation				
– Mauritius	15	13	–	–
– Botswana	4	3	–	–
Total foreign taxation	19	16	–	–
Taxation on income	825	606	(42)	1
Secondary taxation on companies	–	2	–	–
Total taxation charge as per income statement	825	608	(42)	1
Tax rate reconciliation:				
Profit before taxation as per income statement	4 919	3 848	2 358	2 195
Total taxation charge as per income statement	825	608	(42)	1
Less: Secondary taxation on companies	–	(2)	–	–
Total taxation on income	825	606	(42)	1
Effective rate of taxation	16.8%	15.7%	(1.8%)	0.0%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	6.6%	1.4%	18.9%	20.8%
– Foreign earnings*	2.2%	3.1%	–	–
– Impairment of goodwill	(0.2%)	(0.2%)	–	–
– Prior year taxation adjustments	4.7%	1.4%	6.0%	–
– Assessed losses	(0.8%)	(0.2%)	–	–
– Other permanent differences	(1.3%)	6.8%	4.9%	7.2%
	28.0%	28.0%	28.0%	28.0%

* *Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.*

	Group 2014	Group 2013
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(75)	(193)
– Pre-taxation	(175)	(193)
– Deferred tax	(19)	–
– Current tax	119	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	23	78
– Pre-taxation	5	103
– Deferred tax	18	(25)
Gain on realisation of available-for-sale assets recycled through the income statement	(2)	(39)
– Pre-taxation	(3)	(50)
– Deferred tax	1	11

For the year to 31 March	Group				Company			
	2014		2013		2014		2013	
	Cents per share	Total R'million	Cents per share	Total R'million	Cents per share	Total R'million	Cents per share	Total R'million
9. Dividends								
Ordinary dividend								
Final dividend in prior year*	144.00	785	121.00	716	144.00	807	121.00	737
Interim dividend for current year*	131.00	793	112.00	667	131.00	813	112.00	688
Total dividend attributable to ordinary shareholders recognised in current financial year	275.00	1 578	233.00	1 383	275.00	1 620	233.00	1 425
Perpetual preference dividend								
Final dividend in prior year	329.62	157	315.86	154	329.62	104	315.86	102
Interim dividend for current year	331.43	162	343.15	171	331.43	108	343.15	114
Total dividend attributable to perpetual preference shareholders recognised in current financial year	661.05	319	659.01	325	661.05	212	659.01	216

* *This includes the dividend paid by Investec Limited on DAS share equivalent for South African resident shareholders of Investec plc.*

The directors have proposed a final dividend in respect of the financial year ended 31 March 2014 of 196 cents (2013: 144 cents) per ordinary share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 1 August 2014. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 7 August 2014.

The directors have declared a final dividend in respect of the financial year ended 31 March 2014 of 336.11555 cents (2013: 329.61696 cents) per Investec Limited perpetual preference share and 360.14541 cents (2013: 353.18222 cents) per Investec Bank Limited perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 13 June 2014.

For the year to 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013

10. Headline earnings

	Group 2014	Group 2013	Company 2014	Company 2013
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to shareholders	3 727	3 237	2 400	2 194
Dividends paid to perpetual preference shareholders	(319)	(325)	(212)	(216)
Earnings attributable to ordinary shareholders	3 408	2 912	2 188	1 978
Headline adjustments:	(197)	(271)	(641)	(591)
Goodwill impairment	27	24	–	–
Revaluation of investment properties, net of taxation*	(225)	(267)	–	–
Gain on realisation of available-for-sale assets net of taxation*	1	(28)	–	–
Profit on partial disposal/disposal of subsidiary	–	–	(641)	(591)
Headline earnings attributable to ordinary shareholders	3 211	2 641	1 547	1 387

* *Taxation on headline earnings adjustments amounted to R55.1 million (2013: R114.8 million), with no impact on earnings attributable to non-controlling interests.*

For information on the earnings per share of the combined consolidated Investec plc and Investec Limited entities, refer to notes to the annual financial statements in the combined consolidated annual financial statements of Investec plc and Investec Limited.

11. Analysis of income and impairments by category of financial instruments

For the year to 31 March R'million	At fair value through profit or loss	
	Trading	Designated at inception
Group		
2014		
Net interest income	469	1 507
Fee and commission income	–	25
Fee and commission expense	–	(30)
Investment income	28	642
Trading income arising from		
– customer flow	426	(3)
– balance sheet management and other trading activities	212	10
Other operating income	–	49
Total operating income before impairment losses on loans and advances	1 135	2 200
Impairment losses on loans and advances	–	–
Operating income	1 135	2 200
2013		
Net interest income	547	1 981
Fee and commission income	–	4
Fee and commission expense	–	(6)
Investment income	7	494
Trading income arising from		
– customer flow	125	20
– balance sheet management and other trading activities	232	(40)
Other operating income	–	71
Total operating income before impairment losses on loans and advances	911	2 524
Impairment losses on loans and advances	–	–
Operating income	911	2 524
Company		
2014		
Net interest income	–	–
Fee and commission expense	–	–
Investment income	–	–
Trading income arising from		
– balance sheet management and other trading income	–	–
Total operating income before impairment losses on loans and advances	–	–
2013		
Net interest income	–	–
Investment income	–	–
Total operating income before impairment losses on loans and advances	–	–

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
639	12 409	503	(10 770)	(4)	–	4 753
–	503	–	27	449	4 968	5 972
–	(94)	–	(11)	(24)	(87)	(246)
–	–	–	–	399	–	1 069
–	–	–	9	–	–	432
–	69	–	18	–	–	309
–	–	–	–	(7)	–	42
639	12 887	503	(10 727)	813	4 881	12 331
–	(636)	–	–	–	–	(636)
639	12 251	503	(10 727)	813	4 881	11 695
929	10 925	644	(10 435)	–	–	4 591
–	307	3	10	295	4 185	4 804
–	(42)	–	–	(2)	(85)	(135)
–	5	128	–	465	–	1 099
–	29	–	–	–	–	174
(2)	23	–	–	–	–	213
–	–	–	–	6	–	77
927	11 247	775	(10 425)	764	4 100	10 823
–	(833)	–	–	–	–	(833)
927	10 414	775	(10 425)	764	4 100	9 990
–	45	–	(7)	–	–	38
–	–	–	–	–	(5)	(5)
–	–	–	–	1 578	–	1 578
–	42	–	–	–	–	42
–	87	–	(7)	1 578	(5)	1 653
–	47	–	–	–	–	47
–	–	–	–	2 224	–	2 224
–	47	–	–	2 224	–	2 271

12. Analysis of financial assets and liabilities by measurement basis

At 31 March R'million	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale
Group			
2014			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	26	–
Non-sovereign and non-bank cash placements	27	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 452	–	–
Sovereign debt securities	–	26 802	4 616
Bank debt securities	817	6 085	2 227
Other debt securities	712	258	5 278
Derivative financial instruments*	12 299	–	–
Securities arising from trading activities	4 975	–	–
Investment portfolio	–	8 598	59
Loans and advances to customers	–	13 008	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	573	268	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
Non-current assets classified as held for sale^	–	–	–
	25 855	55 045	12 180
Financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	25 855	55 045	12 180
Liabilities			
Deposits by banks	–	1	–
Derivative financial instruments*	9 259	–	–
Other trading liabilities	8 247	–	–
Repurchase agreements and cash collateral on securities lent	3 320	–	–
Customer accounts (deposits)	–	19 473	–
Debt securities in issue	–	3 135	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Liabilities arising on securitisation of other assets	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	517	239	–
	21 343	22 848	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	21 343	22 848	–
Subordinated liabilities	–	–	–
	21 343	22 848	–

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

^ *Non-current assets held for sale relates to an acquisition of a 100% interest in an entity, however management have entered into negotiations to dispose of a controlling interest in the entity.*

For more information on hedges, please refer to note 51.

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related linked instruments (refer to note 35)	Non-financial instruments	Total
–	–	5 927	–	5 927	–	–	5 927
26	–	35 143	–	35 143	–	–	35 169
27	–	9 018	–	9 018	–	–	9 045
6 452	–	1 967	–	1 967	–	–	8 419
31 418	3 397	–	–	3 397	–	–	34 815
9 129	11 906	1 320	–	13 226	–	–	22 355
6 248	537	3 327	–	3 864	–	–	10 112
12 299	–	–	–	–	–	–	12 299
4 975	–	–	–	–	–	–	4 975
8 657	–	–	–	–	–	–	8 657
13 008	–	136 346	–	136 346	–	–	149 354
–	–	7 516	–	7 516	–	–	7 516
–	–	552	–	552	–	–	552
–	–	1 968	–	1 968	–	–	1 968
–	–	–	–	–	–	52	52
–	–	–	–	–	–	457	457
841	–	3 116	–	3 116	–	1 968	5 925
–	–	–	–	–	–	752	752
–	–	–	–	–	–	7 857	7 857
–	–	–	–	–	–	118	118
–	–	–	–	–	–	102	102
–	–	–	–	–	–	731	731
93 080	15 840	206 200	–	222 040	–	12 037	327 157
–	–	–	–	–	102 934	–	102 934
93 080	15 840	206 200	–	222 040	102 934	12 037	430 091
1	–	–	22 901	22 901	–	–	22 902
9 259	–	–	–	–	–	–	9 259
8 247	–	–	–	–	–	–	8 247
3 320	–	–	14 366	14 366	–	–	17 686
19 473	–	–	185 430	185 430	–	–	204 903
3 135	–	–	5 421	5 421	–	–	8 556
–	–	–	4 924	4 924	–	–	4 924
–	–	–	156	156	–	–	156
–	–	–	–	–	–	1 770	1 770
–	–	–	–	–	–	463	463
756	–	–	3 260	3 260	–	2 650	6 666
44 191	–	–	236 458	236 458	–	4 883	285 532
–	–	–	–	–	102 906	–	102 906
–	–	–	–	–	28	–	28
44 191	–	–	236 458	236 458	102 934	4 883	388 466
–	–	–	10 498	10 498	–	–	10 498
44 191	–	–	246 956	246 956	102 934	4 883	398 964

12. Analysis of financial assets and liabilities by measurement basis (continued)

At 31 March R'million	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale
Group			
2013			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	789	–
Non-sovereign and non-bank cash placements	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 202	–	–
Sovereign debt securities	–	25 206	5 273
Bank debt securities	8 410	93	1 028
Other debt securities	1 252	359	1 144
Derivative financial instruments*	12 159	–	–
Securities arising from trading activities	3 598	–	–
Investment portfolio	–	8 145	57
Loans and advances to customers	–	14 856	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	432	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	1	423	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	30 622	50 303	7 502
Financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	30 622	50 303	7 502
Liabilities			
Deposits by banks	–	5	–
Derivative financial instruments*	9 237	–	–
Other trading liabilities	6 687	–	–
Repurchase agreements and cash collateral on securities lent	2 205	–	–
Customer accounts (deposits)	–	6 252	–
Debt securities in issue	–	2 619	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Liabilities arising on securitisation of other assets	–	588	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	496	443	–
	18 625	9 907	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	18 625	9 907	–
Subordinated liabilities	–	1 959	–
	18 625	11 866	–

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

For more information on hedges, please refer to note 51.

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related linked instruments (refer to note 35)	Non-financial instruments	Total
–	–	5 677	–	5 677	–	–	5 677
789	–	24 587	–	24 587	–	–	25 376
–	–	5 875	–	5 875	–	–	5 875
5 202	–	10 644	–	10 644	–	–	15 846
30 479	3 251	–	–	3 251	–	–	33 730
9 531	10 387	1 051	–	11 438	–	–	20 969
2 755	469	3 782	–	4 251	–	–	7 006
12 159	–	–	–	–	–	–	12 159
3 598	–	–	–	–	–	–	3 598
8 202	–	–	–	–	–	–	8 202
14 856	–	120 877	–	120 877	–	–	135 733
–	–	6 130	–	6 130	–	–	6 130
–	–	672	–	672	–	–	672
432	–	1 152	–	1 152	–	–	1 584
–	–	–	–	–	–	45	45
–	–	–	–	–	–	531	531
424	–	5 709	–	5 709	–	2 311	8 444
–	–	–	–	–	–	644	644
–	–	–	–	–	–	6 147	6 147
–	–	–	–	–	–	145	145
–	–	–	–	–	–	90	90
88 427	14 107	186 156	–	200 263	–	9 913	298 603
–	–	–	–	–	86 893	–	86 893
88 427	14 107	186 156	–	200 263	86 893	9 913	385 496
5	–	–	17 856	17 856	–	–	17 861
9 237	–	–	–	–	–	–	9 237
6 687	–	–	–	–	–	–	6 687
2 205	–	–	15 983	15 983	–	–	18 188
6 252	–	–	179 059	179 059	–	–	185 311
2 619	–	–	3 528	3 528	–	–	6 147
–	–	–	6 259	6 259	–	–	6 259
588	–	–	–	–	–	–	588
–	–	–	–	–	–	1 720	1 720
–	–	–	–	–	–	390	390
939	–	–	4 112	4 112	–	2 163	7 214
28 532	–	–	226 797	226 797	–	4 273	259 602
–	–	–	–	–	86 864	–	86 864
–	–	–	–	–	29	–	29
28 532	–	–	226 797	226 797	86 893	4 273	346 495
1 959	–	–	12 496	12 496	–	–	14 455
30 491	–	–	239 293	239 293	86 893	4 273	360 950

12. Analysis of financial assets and liabilities by measurement basis (continued)

At 31 March R'million	At fair value through profit or loss Designated at inception	Total instruments at fair value	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
Company							
2014							
Assets							
Loans and advances to banks	–	–	31	–	31	–	31
Other debt securities	–	–	3	–	3	–	3
Other assets	–	–	5	–	5	–	5
Investment in subsidiaries	–	–	–	–	–	15 720	15 720
	–	–	39	–	39	15 720	15 759
Liabilities							
Debt securities in issue	–	–	–	808	808	–	808
Current taxation liabilities	–	–	–	–	–	107	107
Other liabilities	–	–	–	78	78	41	119
	–	–	–	886	886	148	1 034
2013							
Assets							
Loans and advances to banks	–	–	30	–	30	–	30
Other debt securities	–	–	435	–	435	–	435
Investment portfolio	41	41	–	–	–	–	41
Other assets	–	–	55	–	55	–	55
Investment in subsidiaries	–	–	–	–	–	14 424	14 424
	41	41	520	–	520	14 424	14 985
Liabilities							
Debt securities in issue	–	–	–	400	400	–	400
Current taxation liabilities	–	–	–	–	–	247	247
Other liabilities	–	–	–	84	84	40	124
	–	–	–	484	484	287	771

13. Fair value hierarchy

IFRS 13 requires that an entity disclose for each class of financial instruments measured at fair value the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

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

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value or related assets is attributable to policyholders. These are all level 1 assets.

At 31 March R'million	Total instruments at fair value	Level within the fair value hierarchy		
		Level 1	Level 2	Level 3
2014				
Group				
Financial assets				
Loans and advances to banks	26	–	26	–
Non-sovereign and non-bank cash placements	27	–	27	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 452	–	6 452	–
Sovereign debt securities	31 418	31 418	–	–
Bank debt securities	9 129	3 044	6 085	–
Other debt securities	6 248	5 278	712	258
Derivative financial instruments	12 299	–	12 545	(246)
Securities arising from trading activities	4 975	4 975	–	–
Investment portfolio	8 657	690	347	7 620
Loans and advances to customers	13 008	–	13 008	–
Other assets	841	270	571	–
	93 080	45 675	39 773	7 632
Financial liabilities				
Deposits by banks	1	–	1	–
Derivative financial instruments	9 259	–	9 259	–
Other trading liabilities	8 247	7 579	668	–
Repurchase agreements and cash collateral on securities lent	3 320	–	3 320	–
Customer accounts (deposits)	19 473	–	19 473	–
Debt securities in issue	3 135	–	3 135	–
Other liabilities	756	239	517	–
	44 191	7 818	36 373	–
Net assets	48 889	37 857	3 400	7 632

At 31 March R'million	Total instruments at fair value	Level within the fair value hierarchy		
		Level 1	Level 2	Level 3
13. Fair value hierarchy (continued)				
2013				
Group				
Financial assets				
Loans and advances to banks	789	–	789	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 202	–	5 202	–
Sovereign debt securities	30 479	30 479	–	–
Bank debt securities	9 531	1 121	8 410	–
Other debt securities	2 755	2 396	253	106
Derivative financial instruments	12 159	13	12 231	(85)
Securities arising from trading activities	3 598	3 598	–	–
Investment portfolio	8 202	470	7 670	62
Loans and advances to customers	14 856	–	14 856	–
Other loans and advances	432	–	432	–
Other assets	424	424	–	–
	88 427	38 501	49 843	83
Financial liabilities				
Deposits by banks	5	–	5	–
Derivative financial instruments	9 237	5	9 232	–
Other trading liabilities	6 687	6 687	–	–
Repurchase agreements and cash collateral on securities lent	2 205	–	2 205	–
Customer accounts (deposits)	6 252	–	6 252	–
Debt securities in issue	2 619	–	2 619	–
Liabilities arising on securitisation of other assets	588	588	–	–
Other liabilities	939	443	496	–
Subordinated liabilities	1 959	–	1 959	–
	30 491	7 723	22 768	–
Net assets	57 936	30 778	27 075	83

13. Fair value hierarchy (continued)

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 for the current year.

For the year ended 31 March 2013, in line with market practice, repurchase agreements have been moved from level 1 to level 2. There is no change to the level of observability, however these are based on principal to principal pricing rather than quoted market prices.

Level 3 instruments

The following table shows a reconciliation from the opening balances to the closing balances for net level 3 instruments measured at fair value through the income statement:

For the year to 31 March R'million	2014	2013
Group		
Net opening balance at 1 April	83	27
Transfers due to application of IFRS 13^	7 440	–
Total gains recognised in the current year	216	46
Purchases	832	–
Sales	(363)	–
Issues	(175)	(9)
Transfers out of level 3	(126)	(3)
Transfers into level 3	437	15
Transfer to non-current assets held for sale	(731)	–
Foreign exchange adjustments	19	7
Net closing balance at 31 March	7 632	83

^ *All reclassifications into level 3 at 1 April 2013 occurred as a result of inputs to the valuation model being regarded as unobservable as a result of applying the principles in IFRS 13. Observable inputs are defined as inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. All other inputs have been considered to be unobservable.*

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

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

For the year to 31 March R'million	Group 2014	 2013
Interest (expense)/income	(2)	1
Investment income	161	29
Trading income arising from customer flow	57	16
	216	46

For the year ended 31 March 2014, R142.1 million of the total gains and losses recognised in the current year is unrealised.

13. Fair value hierarchy (continued)

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 31 March 2014 R'million	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement Favourable changes	Reflected in the income statement Unfavourable changes
Assets						
Other debt securities	258	Discounted cash flows	Discount rates	(30%)/2%	12	(67)
Derivative financial instruments	(246)				134	(77)
		Black-Scholes	Volatilities	20%/50%	74	(41)
		Discounted cash flows	Credit spreads	(50bps)/50bps	4	(12)
		Other*	Various*	*	56	(24)
Investment portfolio	7 620	Other*	Various*	*	1 561	(853)
Total	7 632				1 707	(997)

* *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share portfolios) has been assessed on an adjustment to various inputs such as expected cash flows, discount rates, PE ratios. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis.*

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

Credit spreads

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

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discount cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Volatilities

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

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

13. Fair value hierarchy (continued)

Measurement of financial instruments at level 2

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

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

At 31 March R'million	2014 Carrying value	2014 Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
14. Fair value of financial instruments at amortised cost					
Group					
Financial assets					
Cash and balances at central banks	5 927	5 927	^	^	^
Loans and advances to banks	35 143	35 143	^	^	^
Non-sovereign and non-bank cash placements	9 018	9 018	^	^	^
Reverse repurchase agreements and cash collateral on securities borrowed	1 967	1 967	^	^	^
Sovereign debt securities	3 397	3 476	3 476	–	–
Bank debt securities	13 226	13 790	11 105	2 685	–
Other debt securities	3 864	4 004	375	3 629	–
Loans and advances to customers	136 346	136 749	–	–	136 749
Own originated loans and advances to customers securitised	7 516	7 516	^	^	^
Other loans and advances	552	552	^	^	^
Other securitised assets	1 968	1 968	^	^	^
Other assets	3 116	3 116	^	^	^
	222 040	223 226			
Financial liabilities					
Deposits by banks	22 901	23 213	1 271	21 942	–
Repurchase agreements and cash collateral on securities lent	14 366	14 419	–	14 419	–
Customer accounts (deposits)	185 430	185 657	13 135	172 522	–
Debt securities in issue	5 421	5 421	^	^	^
Liabilities arising on securitisation of own originated loans and advances	4 924	4 924	^	^	^
Liabilities arising on securitisation of other assets	156	156	^	^	^
Other liabilities	3 260	3 260	^	^	^
Subordinated liabilities	10 498	10 575	10 575	–	–
	246 956	247 625			
Company					
Financial assets					
Loans and advances to banks	31	31	^	^	^
Other debt securities	3	3	^	^	^
Other assets	5	5	^	^	^
	39	39			
Financial liabilities					
Debt securities in issue	808	808	^	^	^
Other liabilities	78	78	^	^	^
	886	886			

^ *Assets for which fair value approximates carrying value*

14. Fair value of financial instruments at amortised cost (continued)

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumptions also apply to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Assets for which fair value does not approximate carrying value

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest yield curve appropriate for the remaining term to maturity.

Measurement of financial instruments

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments not held at fair value categorised. A description of the nature of the techniques used to calculate valuations based on observable inputs, is set out in the table below:

	Valuation basis/techniques	Main inputs
Assets		
Other debt securities	Discounted cash flows	Discount rates
Loans and advances to customers	Discounted cash flows	Discount rates
Liabilities		
Deposits by banks	Discounted cash flows	Interest rate yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flows	Interest rate yield curve
Customer accounts (deposits)	Discounted cash flows	Interest rate yield curve
Loans and advances to customers	Discounted cash flows	Discount rates

At 31 March R'million	2013 Carrying value	 Fair value
14. Fair value of financial instruments at amortised cost (continued)		
Group		
Financial assets		
Cash and balances at central banks	5 677	5 677
Loans and advances to banks	24 587	24 587
Non-sovereign and non-bank cash placements	5 875	5 875
Reverse repurchase agreements and cash collateral on securities borrowed	10 644	10 644
Sovereign debt securities	3 251	3 610
Bank debt securities	11 438	12 004
Other debt securities	4 251	4 283
Loans and advances to customers	120 877	122 034
Own originated loans and advances to customers securitised	6 130	6 130
Other loans and advances	672	672
Other securitised assets	1 152	1 152
Other assets	5 709	5 709
	200 263	202 377
Financial liabilities		
Deposits by banks	17 856	17 822
Repurchase agreements and cash collateral on securities lent	15 983	15 964
Customer accounts (deposits)	179 059	179 498
Debt securities in issue	3 528	3 528
Liabilities arising on securitisation of own originated loans and advances	6 259	6 259
Other liabilities	4 112	3 385
Subordinated liabilities	12 496	12 821
	239 293	239 277
Company		
Financial assets		
Loans and advances to banks	30	30
Other debt securities	435	435
Other assets	55	55
	520	520
Financial liabilities		
Debt securities in issue	400	400
Other liabilities	84	84
	484	484

15. Designated at fair value: loans and receivables and financial liabilities

At 31 March R'million	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumulative	Maximum exposure to credit risk
Group				
Loans and receivables				
2014				
Loans and advances to banks	26	(88)	(88)	26
Other debt securities	59	58	(166)	59
Loans and advances to customers	13 008	(771)	177	13 008
	13 093	(801)	(77)	13 093
2013				
Loans and advances to banks	789	93	103	789
Bank debt securities	93	15	24	93
Other debt securities	79	17	(140)	79
Loans and advances to customers	14 856	174	928	14 856
	15 817	299	915	15 817

At 31 March R'million	Group 2014	Group 2013
Fair value adjustments to loans and receivables attributable to credit risk		
– Year to date	47.9	16.8
– Cumulative	(45.9)	(140.0)

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	Fair value adjustment Cumulative
Financial liabilities				
2014				
Deposits by banks	1	1	(4)	–
Customer accounts (deposits)	19 473	19 595	(402)	(122)
Debt securities in issue	3 135	3 171	(39)	(36)
Other liabilities	239	327	30	(88)
	22 848	23 094	(415)	(246)
2013				
Deposits by banks	5	5	–	–
Customer accounts (deposits)	6 252	5 972	47	280
Debt securities in issue	2 619	2 772	3	(153)
Liabilities arising on securitisation of other assets	588	588	–	–
Other liabilities	443	443	70	–
Subordinated liabilities	1 959	1 803	101	156
	11 866	11 583	221	283

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs. Year to date and cumulative changes in fair value of financial liabilities attributable to credit risk were both Rnil (2013: Rnil).

At 31 March R'million	Group 2014	Group 2013
16. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	5 751	5 635
Other	176	42
	5 927	5 677

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
17. Loans and advances to banks				
The country risk of the loans and advances to banks lies in the following geographies:				
South Africa	16 650	17 679	31	30
United Kingdom	4 511	2 128	–	–
Europe (excluding UK)	8 685	2 898	–	–
United States of America	2 924	1 727	–	–
Australia	89	175	–	–
Other	2 310	769	–	–
Total	35 169	25 376	31	30

At 31 March R'million	Group 2014	Group 2013
18. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	3 389	4 802
Cash collateral on securities borrowed	5 030	11 044
	8 419	15 846
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. R7.1 billion (2013: R2.5 billion) has been re-sold or re-pledged to third parties in connection with financing activities to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	17 329	18 188
Cash collateral on securities lent	357	–
	17 686	18 188

The assets transferred and not derecognised in the above repurchase agreements are valued at R18.8 billion (2013: R19.9 billion). They are pledged as security for the term of the underlying repurchase agreement.

At 31 March R'million	Group 2014	Group 2013
19. Sovereign debt securities		
Bonds	9 405	11 690
Treasury bills	25 410	22 040
	34 815	33 730
The country risk of the above assets lies in the following geography:		
South Africa	34 815	33 730

At 31 March R'million	Group 2014	Group 2013
20. Bank debt securities		
Bonds	10 926	9 915
Debentures	1 044	309
Floating rate notes	10 385	10 745
	22 355	20 969
The country risk of the above assets lies in the following geographies:		
South Africa	7 674	9 195
United Kingdom	7 937	5 766
Europe (excluding UK)	1 106	900
United States of America	5 513	5 086
Australia	47	22
Other	78	–
	22 355	20 969

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
21. Other debt securities				
Bonds	6 170	3 181	3	435
Commercial paper	199	–	–	–
Floating rate notes	512	362	–	–
Promissory notes	–	11	–	–
Other investments	3 231	3 452	–	–
	10 112	7 006	3	435
The country risk of the above assets lies in the following geographies:				
South Africa	5 319	2 096	–	–
United Kingdom	3 727	3 594	–	–
Europe (excluding UK)	224	104	–	–
United States of America	378	392	–	–
Australia	464	820	3	435
Total	10 112	7 006	3	435

22. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	Group					
	2014			2013		
At 31 March R'million	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	72 294	548	511	15 781	179	276
Currency swaps	112 308	4 369	10 078	114 767	2 002	972
OTC options	18 828	96	78	7 365	45	31
Other foreign exchange contracts	15 725	40	68	14 671	74	82
	219 155	5 053	10 735	152 584	2 300	1 361
Interest rate derivatives						
Caps and floors	7 623	19	18	7 686	25	24
Swaps	372 015	3 285	4 246	409 657	6 076	5 473
Forward rate agreements	819 850	434	436	687 230	311	328
OTC options	11	30	27	3 270	29	28
Other interest rate contracts	480	208	128	480	222	146
	1 199 979	3 976	4 855	1 108 323	6 663	5 999
Equity and stock index derivatives						
OTC options	48 177	3 450	807	27 992	2 376	639
Equity swaps and forwards	3 492	34	14	4 660	5	1
OTC derivatives	51 669	3 484	821	32 652	2 381	640
Exchange traded futures	6 397	–	4	15 251	–	–
Exchange traded options	31 049	4	–	56 468	5	–
Warrants	253	–	1 375	5 224	–	705
	89 368	3 488	2 200	109 595	2 386	1 345
Commodity derivatives						
OTC options	279	71	49	500	15	243
Commodity swaps and forwards	18	53	83	1 200	322	289
	297	124	132	1 700	337	532
Credit derivatives	5 719	36	36	904	14	–
Embedded derivatives*		417	–		459	–
Cash collateral		(795)	(8 699)			
Derivatives per balance sheet		12 299	9 259		12 159	9 237

* *Mainly includes profit shares received as part of lending transactions.*

Cash collateral has been shown separately in 2014, the amount of cash netted off for 2013 is R573.7 million against the positive fair value and R6.9 billion against the negative fair value.

At 31 March R'million	Group 2014	Group 2013
23. Securities arising from trading activities		
Listed equities	4 238	2 699
Bonds	540	776
Floating rate notes	197	123
	4 975	3 598

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
24. Investment portfolio				
Listed equities	825	593	–	–
Unlisted equities	7 832	7 609	–	41
	8 657	8 202	–	41

At 31 March R'million	Group 2014	Group 2013
25. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	150 601	137 081
Impairments of loans and advances to customers	(1 247)	(1 348)
Net loans and advances to customers	149 354	135 733
Gross other loans and advances to customers	597	684
Impairments of other loans and advances to customers	(45)	(12)
Net other loans and advances to customers	552	672

For further analysis on loans and advances refer to pages 37 to 51 in the risk management section.

At 31 March R'million	Group 2014	Group 2013
25. Loans and advances to customers and other loans and advances (continued)		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at the beginning of the year	1 227	1 099
Charge to the income statement	711	1 084
Recoveries/reversals recognised in the income statement	(114)	(153)
Utilised	(718)	(803)
Transfer	(31)	–
Balance at the end of the year	1 075	1 227
Portfolio impairment		
Balance at the beginning of the year	121	204
Charge/(release) to the income statement	43	(95)
Transfer	(2)	–
Exchange adjustment	10	12
Balance at the end of the year	172	121
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	12	11
Charge to the income statement	–	1
Transfer	31	–
Balance at the end of the year	43	12
Portfolio impairment		
Balance at the beginning of the year	–	–
Transfers	2	–
Balance at the end of the year	2	–
Total specific impairments	1 118	1 239
Total portfolio impairments	174	121
Total impairments	1 292	1 360
Reconciliation of income statement charge:		
Total impairment on loans and advances	640	836
Specific impairment charged to income statement, net of recoveries	597	931
Portfolio impairment charged to income statement	43	(95)
Total impairment on securitised assets	(4)	(4)
Specific impairment charged to income statement (refer to note 26)	(4)	(4)
Total impairment on other loans and advances	–	1
Specific impairment charged to income statement	–	1
Total income statement charge	636	833

At 31 March R'million	Group 2014	Group 2013

26. Securitised assets and liabilities arising on securitisation

	2014	2013
Gross own originated loans and advances to customers securitised	7 520	6 136
Impairments of own originated loans and advances to customers securitised	(4)	(6)
Net own originated loans and advances to customers securitised	**7 516**	**6 130**
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	1 811	994
– Loans and advances to customers	157	590
Total other securitised assets	**1 968**	**1 584**
The associated liabilities are recorded on the balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	4 924	6 259
Liabilities arising on securitisation of other assets	156	588
Reconciliation of specific and portfolio impairments		
The impairments below relate only to own originated loans and advances to customers.		
Specific impairment		
Balance at the beginning of the year	4	4
Release to the income statement	(4)	(4)
Recoveries	2	4
Balance at the end of the year	**2**	**4**
Portfolio impairment		
Balance at the beginning of the year	2	2
Balance at the end of the year	**2**	**2**
Total impairments on the balance sheet	**4**	**6**

At 31 March R'million	Group 2014	Group 2013
27. Interests in associated undertakings		
Analysis of the movement in our share of net assets:		
Balance at the beginning of the year	45	38
Exchange differences	7	7
Share of net asset value at the end of the year	52	45

Associated undertakings comprise unlisted investments.

At 31 March R'million	Group 2014	Group 2013
28. Deferred taxation		
Deferred taxation assets	457	531
Deferred taxation liabilities	(463)	(390)
Net deferred taxation (liabilities)/assets	(6)	141
Net deferred taxation (liabilities)/assets arise from:		
Income and expenditure accruals	679	780
Tax relief from tax losses brought forward	98	103
Finance lease accounting	50	34
Revaluations on investment properties	(329)	(307)
Unrealised fair value adjustments on financial instruments	(491)	(455)
Unrealised gains on available for sale instruments	–	(14)
Fair value movements on cash flow hedges	(13)	–
	(6)	141
Reconciliation of net deferred taxation (liabilities)/assets		
Opening balance	141	53
(Charge)/credit to the income statement	(147)	96
Charged directly to other comprehensive income	–	(14)
Other	–	6
Closing balance	(6)	141

Deferred tax assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
29. Other assets				
Settlement debtors	742	4 349	–	–
Dealing properties	1 676	1 885	–	–
Accruals	583	144	–	–
Prepayments	161	134	–	–
Trading initial margins	331	237	–	–
Other debtors	2 432	1 695	5	55
	5 925	8 444	5	55

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
30. Property and equipment					
Group					
2014					
Cost					
At the beginning of the year	386	24	178	696	1 284
Additions	118	1	9	166	294
Disposals	–	(1)	(4)	(127)	(132)
At the end of the year	504	24	183	735	1 446
Accumulated depreciation and impairment					
At the beginning of the year	(17)	(20)	(111)	(492)	(640)
Disposals	–	–	2	77	79
Depreciation	(10)	(1)	(8)	(114)	(133)
At the end of the year	(27)	(21)	(117)	(529)	(694)
Net carrying value	477	3	66	206	752
2013					
Cost					
At the beginning of the year	215	21	168	663	1 067
Additions	171	3	12	87	273
Disposals	–	–	(2)	(54)	(56)
At the end of the year	386	24	178	696	1 284
Accumulated depreciation and impairment					
At the beginning of the year	(11)	(19)	(106)	(389)	(525)
Disposals	–	–	1	4	5
Depreciation	(6)	(1)	(6)	(107)	(120)
At the end of the year	(17)	(20)	(111)	(492)	(640)
Net carrying value	369	4	67	204	644

At 31 March R'million	Group 2014	 2013
31. Investment properties		
At the beginning of the year	6 147	4 858
Additions	1 522	2 119
Disposals	(92)	(698)
Revaluation	280	(132)
At the end of the year	7 857	6 147

For total gains and losses recognised in the income statement, refer to note 4.

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Properties are valued under the income capitalisation method and discounted cash flow method (DCF). All investment properties fall within level 3 of the fair value hierarchy.

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this, an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property, the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period:

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Expected Rental Value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value.
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value.
Long-term vacancy rate	Increases/(decreases) in the long-term vacancy rate would result in decreases/(increases) in the estimated fair value.

The table above includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Expected Rental Value (ERV)	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

There have been no significant changes in valuation techniques during the year under review and no transfers between levels in the fair value hierarchy.

At 31 March R'million	Group 2014	 2013
32. Goodwill		
Cost		
At beginning and end of the year	1 283	1 283
Accumulated impairments		
At the beginning of the year	(1 138)	(1 114)
Impairment of goodwill	(27)	(24)
At the end of the year	(1 165)	(1 138)
Net book value	118	145
Analysis of goodwill by line of business:		
Asset Management	77	104
Wealth & Investment	37	37
Specialist Banking	4	4
Total group	118	145

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure.

Discount rates are arrived at based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit.

Growth rates are based on industry growth forecasts.

Cash flow forecasts are based on most recent financial budgets for the next financial year and are extrapolated for a period of three to five years and adjusted for expected future events.

Impairment losses comprise:
R27 million (2013: R24 million) in respect of the Asset Management segment. The impairment calculation was based on a discounted cash flow valuation. The discount rate applied of 14.47% is determined using the South African risk-free adjusted for the risk related to the cash-generating unit.

The majority of the goodwill relates to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash-generating unit.

At 31 March R'million	Acquired software	Internally generated software	Total
33. Intangible assets			
Group			
2014			
Cost or valuation			
At the beginning of the year	403	72	475
Additions	57	22	79
Disposal	(15)	–	(15)
At the end of the year	445	94	539
Accumulated amortisation and impairments			
At the beginning of the year	(313)	(72)	(385)
Amortisation	(40)	(12)	(52)
At the end of the year	(353)	(84)	(437)
Net carrying value	92	10	102
2013			
Cost or valuation			
At the beginning of the year	370	64	434
Additions	34	8	42
Disposals	(1)	–	(1)
At the end of the year	403	72	475
Accumulated amortisation and impairments			
At the beginning of the year	(273)	(64)	(337)
Amortisation	(40)	(8)	(48)
At the end of the year	(313)	(72)	(385)
Net carrying value	90	–	90

At 31 March	Nature of business	Issued ordinary share capital	Holding %	Shares at book value R'million 2014	Shares at book value R'million 2013	Net indebtedness R'million 2014	Net indebtedness R'million 2013
34. Investment in subsidiaries							
Direct subsidiaries of Investec Limited							
Investec Bank Limited Ä	Banking	R29 383 478	100.0%	13 600	13 600	1 353	127
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R200	85.0%	68	80	–	*
Investec Employee Benefits Holdings (Pty) LtdÄ	Investment holding	R1	100.0%	850	*	(698)	137
Investec Int. Holdings (Gibraltar) Limited§	Investment holding	£1 000	100.0%	148	148	*	*
Investec Securities (Pty) Ltd Ä	Stockbroking	R172 000	100.0%	157	152	(41)	(36)
Fedsure International Limited Ä	Investment holding	R1 012 456	100.0%	200	200	–	*
Investec Property Group Holdings Limited Ä	Investment holding	R3 000	100.0%	*	–	–	*
Other subsidiaries^^				(12)	(12)	95	28
				15 011	14 168	709	256

* *Less than R1 million.*
^^ *Investec Personal Financial Services (Pty) Ltd and Sibvest Limited have been included in 'Other subsidiaries'.*
Ä *South Africa.*
§ *Gibraltar.*

Loans to/(from) subsidiaries are unsecured, interest-bearing, with no fixed terms of repayment.

	Nature of business	Issued ordinary share capital	Effective holding %
Indirect subsidiaries of Investec Limited			
Investec Assurance Limited Ä	Insurance company	R10 000 000	85.0%
Investec Asset Management (Pty) Ltd Ä	Asset management	R50 000	85.0%
Investec Fund Managers SA (RF) (Pty) Ltd Ä	Unit trust management	R8 000 000	85.0%
Investec Bank (Mauritius) Limited**	Banking	U$56 478 463	100.0%
Investec Property Group (Pty) Ltd Ä	Property trading	R1 174	100.0%
Reichmans Holdings (Pty) Ltd Ä	Trade and asset finance	R15	100.0%
Investec Employee Benefits Limited Ä	Long-term insurance	R7 544 000	100.0%
Investec Property Fund Limited Ä	Engage in long-term immovable property investment	R4 645 756 475	44.3%

Ä *South Africa.*
** *Mauritius.*

Details of subsidiary which are not material to the financial position of the group are not stated above.

34. Investment in subsidiaries (continued)

The following subsidiaries are not consolidated for regulatory purposes:

Investec Assurance Limited
Investec Employee Benefit Holdings (Pty) Ltd and its subsidiaries

There are no subsidiaries which are consolidated for regulatory but not for accounting purposes.

Consolidated structured entities

Investec Limited has residual economic interests in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Private Mortgages 1 (RF) (Pty) Ltd	Securitised residential mortgages
Private Mortgages 2 (RF) (Pty) Ltd	Securitised residential mortgages
Private Residential Mortgages (RF) Limited	Securitised residential mortgages
Fox Street 1 (RF) Limited	Securitised residential mortgages
Fox Street 2 (RF) Limited	Securitised residential mortgages
Grayston Conduit 1 (RF) Limited	Securitised asset-backed securities and debt and loan portfolios
Integer Home Loans (Pty) Ltd	Securitised third-party originated residential mortgages

For additional detail on the assets and liabilities arising on securitisation refer to note 26. For details of the risks to which the group is exposed through its all of its securitisations are included in the risk management report on page 54.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of subordinated notes. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. This structured entity is consolidated due to the group's retention of residual economic benefits and because it continues to act as the facility provider. The group is not required to fund any losses.

Securitised asset-backed securities portfolio

The group has securitised a asset-backed securities portfolio for the purpose of issuing asset-backed commercial paper. This structured entity is consolidated due to the group's retention of residual economic benefits combined with a facility provided. The group is not required to fund any losses.

Securitised third-party originated residential mortgages

The group has a senior and subordinated investment in a third-party originated structured entity. This structured entity is consolidated due to the group's exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investments made.

Interest in Asset Management and Wealth & Investment Funds

Management have concluded that the investment funds in the Asset Management and Wealth & Investment businesses do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other. Transactions with these funds are conventional customer-supply relationships.

At 31 March R'million	Group 2014	 2013
35. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	659	655
Investec Assurance Limited	102 247	86 209
	102 906	86 864
Insurance liabilities, including unit-linked liabilities – IEB	28	29
Total policyholder liabilities	102 934	86 893
IEB		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	687	684
	687	684
Investments shown above comprise:		
Interest-bearing securities	284	272
Stocks, shares and unit trusts	257	257
Deposits	146	155
	687	684
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	101 737	85 497
Debtors and prepayments	64	21
Other assets	446	691
Assets of long-term assurance fund attributable to policyholders	102 247	86 209
Total policyholder assets	102 934	86 893
The linked assets are classed as level 1 financial instruments with the linked liabilities also classed as level 1.		
Investments shown above comprise:		
Interest-bearing securities	27 481	22 714
Stocks, shares and unit trusts	61 575	51 465
Deposits	12 681	11 318
	101 737	85 497

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of the linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets under the policy.

At 31 March R'million	Group 2014	Group 2013
36. Other trading liabilities		
Deposits	668	–
Short positions		
– Equities	6 833	5 680
– Gilts	746	1 007
	8 247	6 687

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
37. Debt securities in issue				
Repayable in:				
Less than three months	99	1 376	–	–
Three months to one year	1 181	689	–	–
One to five years	7 244	4 082	808	400
Greater than five years	32	–	–	–
	8 556	6 147	808	400

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
38. Current taxation liabilities				
Income taxation payable	1 628	1 617	107	247
Indirect taxes payable	142	103	–	–
	1 770	1 720	107	247

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
39. Other liabilities				
Settlement liabilities	2 195	2 277	–	–
Other non-interest-bearing liabilities	1 482	2 136	12	21
Other creditors and accruals	2 989	2 801	107	103
	6 666	7 214	119	124

At 31 March R'million	Group 2014	Group 2013
40. Subordinated liabilities		
Issued by Investec Bank Limited		
IV04 10.75% subordinated unsecured callable bonds	–	2 062
IV07 variable rate subordinated unsecured callable bonds	–	941
IV08 13.735% subordinated unsecured callable upper tier 2 bonds	200	200
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	200	200
IV012 variable rate subordinated unsecured callable bonds	250	250
IV013 variable rate subordinated unsecured callable bonds	50	50
IV014 10.545% subordinated unsecured callable bonds	125	125
IV015 variable rate subordinated unsecured callable bonds	1 350	1 350
IV016 variable rate subordinated unsecured callable bonds	325	325
IV017 indexed rate subordinated unsecured callable bonds	1 936	1 813
IV019 indexed rate subordinated unsecured callable bonds	79	74
IV019A indexed rate subordinated unsecured callable bonds	295	273
IV022 variable rate subordinated unsecured callable bonds	997	997
IV023 variable rate subordinated unsecured callable bonds	860	860
IV024 variable rate subordinated unsecured callable bonds	106	106
IV025 variable rate subordinated unsecured callable bonds	1 000	1 000
IV026 variable rate subordinated unsecured callable bonds	750	750
IV030 indexed rate subordinated unsecured callable bonds	321	299
IV030A indexed rate subordinated unsecured callable bonds	344	321
IV031 variable rate subordinated unsecured callable bonds	500	500
IV032 variable rate subordinated unsecured callable bonds	810	–
	10 498	12 496
Issued by Investec Property Fund Limited		
Variable rate unsecured subordinated debentures	–	1 959
	–	1 959
	10 498	14 455
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand.		
Remaining maturity:		
In one year or less, or on demand	250	3 003
In more than one year, but not more than two years	175	–
In more than two years, but not more than five years	6 784	4 063
In more than five years	3 289	7 389
	10 498	14 455

40. Subordinated liabilities (continued)

IV04 10.75% subordinated unsecured callable bonds

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Rnil (2013: R2 062 million) Investec Bank Limited IV04 locally registered subordinated unsecured callable bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to floating rate bonds of 3-month Jibar plus 2.00% from 31 March 2013. The bonds were subsequently called and settled on 2 April 2013.

IV07 variable rate subordinated unsecured callable bonds

Rnil (2013: R941 million) Investec Bank Limited IV07 locally registered subordinated unsecured callable bonds due in 2018. Interest is payable quarterly in arrears on 31 March, 30 June, 30 September, 31 December at a rate equal to 3-month Jibar plus 1.40% until 31 March 2013. From and including 31 March 2013 up to and excluding 31 March 2018 interest is paid at a rate equal to 3-month Jibar plus 2.00%. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. The bonds were subsequently called and settled on 2 April 2013.

IV08 13.735% subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV08 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above Jibar payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV09 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to 3-month Jibar plus 3.75% until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above Jibar payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million Investec Bank Limited IV012 locally registered subordinated unsecured callable bonds are due in November 2019. Interest is payable quarterly in arrears on 26 November, 26 February, 26 May and 26 August at a rate equal to 3-month Jibar plus 3.25% until 26 November 2014. From and including 26 November 2014 up to and excluding 26 November 2019 interest is paid at a rate equal to 3-month Jibar plus 4.50%. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014.

IV013 variable rate subordinated unsecured callable bonds

R50 million Investec Bank Limited IV013 locally registered subordinated unsecured callable bonds are due in June 2020. Interest is payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December at a rate equal to 3-month Jibar plus 2.75% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid at a rate equal to 3-month Jibar plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV014 10.545% subordinated unsecured callable bonds

R125 million Investec Bank Limited IV014 locally registered subordinated unsecured callable bonds are due in June 2020. Interest is payable six monthly in arrears on 22 June and 22 December at a fixed rate of 10.545% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid quarterly in arrears on 22 June, 22 September, 22 December and 22 March at a rate equal to 3-month Jibar plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV015 variable rate subordinated unsecured callable bonds

R1 350 million Investec Bank Limited IV015 locally registered subordinated unsecured callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to 3-month Jibar plus 2.65% basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to 3-month Jibar plus 4.00%. The maturity date is 20 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017.

IV016 variable rate subordinated unsecured callable bonds

R325 million Investec Bank Limited IV016 locally registered subordinated unsecured callable bonds are due in December 2021. Interest is payable quarterly in arrears on 6 December, 6 March, 6 June and 6 September at a rate equal to 3-month Jibar plus 2.75% up to and excluding 6 December 2021. The maturity date is 6 December 2021, but the company has the option to call the bonds upon regulatory disqualification or from 6 December 2016.

40. Subordinated liabilities (continued)

IV017 indexed rate subordinated unsecured callable bonds

R1 936 million (2013: R1 813 million) Investec Bank Limited IV017 locally registered subordinated unsecured callable bonds are due in January 2022. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.75% . The IV017 is a replica of the R212 South African government bond. The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017.

IV019 indexed rate subordinated unsecured callable bonds

R79 million (2013: R74 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R295 million (2013: R273 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV022 variable rate subordinated unsecured callable bonds

R997 million Investec Bank Limited IV022 locally registered subordinated unsecured callable bonds are due in April 2022. Interest is payable quarterly on 2 January, 2 April, 2 July and 2 October at a rate equal to the 3-month Jibar plus 2.50% up to and excluding 2 April 2022. The maturity date is 2 April 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 2 April 2017.

IV023 variable rate subordinated unsecured callable bonds

R860 million Investec Bank Limited IV023 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 11 January, 11 April, 11 July and 11 October at a rate equal to the 3-month Jibar plus 2.50% up to and excluding 11 July 2022. The maturity date is 11 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 11 July 2017.

IV024 variable rate subordinated unsecured callable bonds

R106 million Investec Bank Limited IV024 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 27 January, 27 April, 27 July and 27 October at a rate equal to the 3-month Jibar plus 2.70% up to and excluding 27 July 2022. The maturity date is 27 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 27 July 2017.

IV025 variable rate subordinated unsecured callable bonds

R1 000 million Investec Bank Limited IV025 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the 3-month Jibar plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

R750 million Investec Bank Limited IV026 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the 3-month Jibar plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

R321 million (2013: R299 million) Investec Bank Limited IV030 locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

R344 million (2013: R321 million) Investec Bank Limited IV030A locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00% . The IV030A is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

40. Subordinated liabilities (continued)

IV031 variable rate subordinated unsecured callable bonds

R500 million Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the 3-month Jibar plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 11 March 2020.

IV032 variable rate subordinated unsecured callable bonds

R810 (2013: Rnil million) Investec Bank Limited IV032 locally registered subordinated unsecured callable bonds are due in August 2023. Interest is payable quarterly on 14 November, 14 February, 14 May, 14 August at a rate equal to the 3-month Jibar plus 2.95%. The maturity date is 14 August 2023, but the company has the option to call the bonds upon regulatory capital disqualification from 14 August 2018.

Investec Property Fund Limited Debentures

Rnil million (2013:R 1 959 million) Investec Property Fund ('Fund') locally registered subordinated unsecured debentures are due at the 25th anniversary of the date of each allotment and issue of the debentures. Interest payable on the debenture in each linked unit will be at least 999 times the dividend payable on each share. The debentures are redeemable at the instance of the debenture holders (by way of a special resolution) at the 25th anniversary of the date of each allotment and issue of the debentures.

On 16 August 2013, shareholders approved the conversion of the Fund's linked-unit structure to that of an all-equity capital structure.

At 31 March	Group		Company	
R'million	2014	2013	2014	2013
41. Ordinary share capital				
Authorised				
450 000 000 (2013: 450 000 000) ordinary shares of R0.0002 each				
Issued				
282 934 529 (2013: 279 639 164) ordinary shares of R0.0002 each	1	1	1	1

In terms of the dual listed companies structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Details of the share capital are set out in the Investec group's 2014 integrated annual report.

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013

42. Perpetual preference shares

	Group 2014	Group 2013	Company 2014	Company 2013
Authorised				
100 000 000 (2013:100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
32 214 499 (2013: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums	3 183	3 183	3 183	3 183
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium (refer to note 43)	3 183	3 183	3 183	3 183

* *Less than R1 million.*

Preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.7% of prime on R100, being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.

An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September, respectively.

43. Share premium

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
Share premium on ordinary shares	6 862	6 631	6 911	6 680
Share premium on perpetual preference shares	3 183	3 183	3 183	3 183
	10 045	9 814	10 094	9 863

At 31 March	2014 R'million	2013 R'million
44. Treasury shares		
Treasury shares held by subsidiaries of Investec Limited		
Premium paid on options held to acquire Investec Limited shares	(279)	(279)
Investec Limited ordinary shares	1 231	1 233
	952	954
Number of Investec Limited ordinary shares held by subsidiaries	19 043 838	19 715 016
Reconciliation of treasury shares	Number	Number
At the beginning of the year	19 715 016	16 579 211
Purchase of own shares by subsidiary companies	9 121 782	7 656 975
Shares disposed of by subsidiaries	(9 792 960)	(4 521 170)
At the end of the year	19 043 838	19 715 016
	R'million	R'million
Market value of treasury shares	1 616	1 267

At 31 March R'million	Group 2014	Group 2012
45. Non-controlling interests		
Perpetual preference shares issued by Investec Bank Limited	1 534	1 534
Non-controlling interests in partially held subsidiaries	3 103	10
	4 637	1 541

Perpetual preference shares issued by Investec Bank Limited

Authorised

70 000 000 (2013: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each

Issued

15 447 630 (2013: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium within a range of R96.46 to R99.99 per share.

Preference shareholders will be entitled to receive dividends, if declared, at a rate limited to 83.33% of the South African prime interest rate on R100, being the deemed value of the issue price of the preference share held.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September, respectively.

45. Non-controlling interests (continued)

The following table summarises the information relating to the group's subsidiary that has material non-controlling interests:

	Investec Asset Management Holdings Group	Investec Property Fund Limited
	2014	2014
Non-controlling interests ('NCI')	15.0%	55.7%
Summarised financial information	R'million	R'million
Total assets	106 299	6 553
Total liabilities	104 759	1 440
Revenue	2 755	539
Profit	1 277	507
Carrying amount of NCI	240	2 863
Profit allocated to NCI	93	274

At 31 March R'million	Group 2014 Total future minimum payments	Group 2014 Present value	Group 2013 Total future minimum payments	Group 2013 Present value
46. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers:				
Lease receivables in:				
Less than one year	572	461	490	393
One to five years	634	557	577	506
	1 206	1 018	1 067	899
Unearned finance income	188		168	

At 31 March 2014, there were no unguaranteed (2013: nil) residual values. There were no finance lease receivables in Investec Limited company at 31 March 2014 (2013: nil).

For the year to 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
47. Notes to the cash flow statement				
Profit before taxation adjusted for non-cash items				
Profit before taxation	4 919	3 848	2 358	2 195
Adjustment for non-cash items:				
Impairment of goodwill	27	24	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	185	168	–	–
Impairment losses on loans and advances	636	833	–	–
Loss on realisation of fixed assets	7	–	–	–
Operating costs arising from partial disposal of subsidiary	31	–	–	–
Gain on partial disposal of subsidiary	–	–	(641)	–
Share-based payment charges	485	388	(288)	116
Revaluation of investment properties	(280)	132	–	–
	6 010	5 393	1 429	2 311
Increase in operating assets				
Loans and advances to banks	(6 999)	(8 199)	(1)	–
Reverse repurchase agreements and cash collateral on securities borrowed	7 427	(10 276)	–	–
Sovereign debt securities	(1 085)	(4 018)	–	–
Bank debt securities	(1 223)	6 928	–	–
Other debt securities	(3 015)	(1 123)	433	(435)
Derivative financial instruments	(275)	(1 713)	–	–
Securities arising from trading activities	(1 377)	(314)	–	–
Investment portfolio	(401)	(857)	41	–
Loans and advances to customers	(12 475)	(12 806)	–	–
Own originated loans and advances to customers securitised	(1 386)	(4)	–	–
Other loans and advances	120	(3)	–	–
Other securitised assets	(384)	128	–	–
Other assets	2 316	(2 676)	50	94
Investment properties	(1 430)	(1 421)	–	–
Assurance assets	(16 041)	(9 990)	–	–
Non-current assets held for sale	(731)	–	–	–
	(36 959)	(46 344)	523	(341)
Increase in operating liabilities				
Deposits by banks	5 037	3 924	–	–
Derivative financial instruments	22	667	–	–
Other trading liabilities	1 560	2 499	–	–
Repurchase agreements and cash collateral on securities lent	(661)	(68)	–	–
Customer accounts (deposits)	18 636	8 425	–	–
Debt securities in issue	2 409	1 758	408	–
Liabilities arising in securitisation of own originated loans and advances	(1 335)	3	–	–
Liabilities arising in securitisation of other assets	(432)	96	–	–
Other liabilities	(568)	1 934	(5)	68
Assurance liabilities	16 041	9 990	–	–
	40 709	29 228	403	68

For the year to 31 March R'million	Group 2014	Group 2013

48. Related party transactions

	2014	2013
Compensation to the board of directors and other key management personnel*		
Short-term employee benefits	469	407
Share-based payments	74	23
	543	430

* *Key management personnel are board directors and members of the global operations forum.*

	Group 2014	Group 2013
Transactions, arrangements and agreements involving directors and others		
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	607	418
Increase in loans	99	286
Repayment of loans	(194)	(155)
Exchange adjustments	76	58
At the end of the year	588	607
Guarantees		
At the beginning of the year	66	5
Repayment of guarantees	(81)	(16)
Additional guarantees granted	77	77
Exchange adjustments	15	–
At the end of the year	77	66
Deposits		
At the beginning of the year	(747)	(573)
Increase in deposits	(359)	(461)
Utilisation of deposits	458	365
Exchange adjustments	162	(78)
At the end of the year	(486)	(747)

Refer to note 34 for loans to/(from) subsidiaries.

Investec provides certain banking and financial services to associates and joint ventures including loans, overdrafts, interests and non-interest-bearing deposits and current accounts.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

For the year to 31 March R'million	Group 2014	2013
48. Related party transactions (continued)		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	289	194
Loans and advances to customers	305	112
Other debt securities	5 023	4 586
Derivative financial instruments	454	503
Other assets	743	123
Liabilities		
Deposits from banks	537	96
Customer accounts (deposits)	21	22
Repurchase agreements and cash collateral on securities lent	5 379	4 256
Derivative financial instruments	20	318
Other liabilities	286	399

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

During the year to 31 March 2014, interest of R506.3 million (2013: R227.2 million) was received from entities in the Investec plc group.

Interest of R27.2 million (2013: R400.6 million) was paid to entities in the Investec plc group.

In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2014, this resulted in a net payment by Investec plc group of R140.3 million (2013: R94.1 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment by Investec plc group of Rnil (2013: Rnil).

At 31 March R'million	2014	2013
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	751	–
The loan arises from Investec's portion of funding in relation to the 15% acquisition of Investec Asset Management by senior management of the business.		

At 31 March R'million	Group 2014	Group 2013
49. Commitments		
Undrawn facilities	38 027	31 350
Other commitments	215	63
	38 242	31 413
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on the balance sheet.		
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	418	335
One to five years	1 485	1 451
Later than five years	1 862	2 234
	3 765	4 020

At 31 March 2014, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8.0% and 13.5% per annum. The majority of the leases have renewal options.

At 31 March	Carrying amount		Carrying value of related liability Repurchase agreements and cash collateral on securities lent	
R'million	2014	2013	2014	2013
Group				
Reverse repurchase agreements and cash collateral on securities borrowed	2 275	2 205	2 275	2 205
Sovereign debt securities	3 475	7 546	7 635	11 125
Bank debt securities	10 829	9 817	4 718	4 503
Other debt securities	1 542	362	735	354
Securities arising from trading activities	688	–	688	–
	18 809	19 930	16 051	18 187

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

At 31 March R'million	Group 2014	Group 2013	Company 2014	Company 2013
50. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	14 590	11 037	–	1 741
	14 590	11 037	–	1 741

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have an adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

51. Hedges

Group

The group uses derivatives for management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the central treasury. Once aggregated and netted, central treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, central treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the classification between fair value hedges, and cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and the hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group:

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative losses on hedging instrument	Current year gains/ (losses) on hedging instrument	Cumulative gains on hedged item	Current year gains on hedged item
Group						
2014						
Interest rate swaps	Bonds	(635)	(351)	103	337	36
2013						
Interest rate swaps	Bonds	(752)	(120)	(115)	128	121

Cash flow hedges

The group is exposed to variability in cash flows arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and transferred to the income statement when the cash flow affects the income statement.

51. Hedges (continued)

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period in which the hedged cash flows are expected to occur and affect the income statement	Ineffective portion recognised in the income statement
Group				
2014				
Cross-currency swap	Bonds	4 824	Three months	–
2013				
Cross-currency swap	Fixed rate bonds	(446)	Three months to five years	–

There are cash flow hedges during the year to mitigate interest rate and currency risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity.

Release to the income statement for cash flow hedges is included in net interest income.

Hedges of net investments in foreign operations

For the year ended 31 March 2014, Investec Bank Limited has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in US Dollars, in Investec Bank Mauritius.

At 31 March R'million	Hedging instrument fair value
2014	(33)

There was no ineffective portion recognised in the income statement in the current year and the prior year.

52. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March R'million	On demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2014								
Liabilities								
Deposits by banks	915	2 095	2 066	352	257	17 218	–	22 903
Derivative financial instruments	9 238	–	–	–	–	–	21	9 259
– Held-for-trading	9 238	–	–	–	–	–	–	9 238
– Held for hedging risk	–	–	–	–	–	–	21	21
Other trading liabilities	8 247	–	–	–	–	–	–	8 247
Repurchase agreements and cash collateral on securities lent	3 411	3 515	–	–	4 638	5 130	993	17 687
Customer accounts (deposits)	77 611	27 656	31 094	18 585	23 551	24 639	1 906	205 042
Debt securities in issue	–	48	320	400	781	7 244	32	8 825
Liabilities arising on securitisation of own originated loans and advances	–	–	(982)	–	–	11 786	–	10 804
Liabilities arising on securitisation of other assets	–	–	156	–	–	–	–	156
Other liabilities	2 662	1 578	1 209	248	627	768	638	7 730
Subordinated liabilities	–	56	134	154	339	6 584	6 802	14 069
Total on balance sheet liabilities	102 084	34 948	33 997	19 739	30 193	73 369	10 392	304 722
Contingent liabilities	7 200	537	733	220	920	2 459	2 521	14 590
Commitments	–	102	5 287	717	2 802	13 257	16 077	38 242
Total liabilities	109 284	35 587	40 017	20 676	33 915	89 085	28 990	357 554

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket, and not by contractual maturity, because liabilities are typically held for short periods of time.

For an analysis based on discounted cash flows, please refer to page 67.

52. Liquidity analysis of financial liabilities based on undiscounted cash flows

(continued)

At 31 March R'million	On demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2013								
Liabilities								
Deposits by banks	1 267	1 643	204	9 998	346	4 403	–	17 861
Derivative financial instruments	9 202	–	–	–	–	10	25	9 237
– Held-for-trading	9 202	–	–	–	–	–	–	9 202
– Held for hedging risk	–	–	–	–	–	10	25	35
Other trading liabilities	6 687	–	–	–	–	–	–	6 687
Repurchase agreements and cash collateral on securities lent	–	9 235	14	26	20	8 126	1 120	18 541
Customer accounts (deposits)	72 672	22 587	25 555	17 582	24 990	20 205	1 749	185 340
Debt securities in issue	–	–	1 376	40	649	4 082	–	6 147
Liabilities arising on securitisation of own originated loans and advances	–	1	1 302	5	12	4 907	32	6 259
Liabilities arising on securitisation of other assets	–	156	432	–	–	–	–	588
Other liabilities	3 130	1 131	887	383	50	1 104	531	7 216
Subordinated liabilities	–	3 003	107	148	300	6 168	8 034	17 760
Total on balance sheet liabilities	92 958	37 756	29 877	28 182	26 367	49 005	11 491	275 636
Contingent liabilities	3 560	–	1 688	99	178	5 032	3 044	13 601
Commitments	1 292	78	1 344	831	4 950	7 453	16 277	32 225
Total liabilities	97 810	37 834	32 909	29 112	31 495	61 490	30 812	321 462

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time.

52. Liquidity analysis of financial liabilities based on undiscounted cash flows
(continued)

At 31 March R'million	On demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2014								
Liabilities								
Debt securities in issue	–	–	–	–	–	808	–	808
Other liabilities	–	–	42	–	–	60	16	118
Total on-balance sheet liabilities	–	–	42	–	–	868	16	926
2013								
Liabilities								
Debt securities in issue	–	–	–	–	–	400	–	400
Other liabilities	12	–	112	–	–	–	–	124
On-balance sheet liabilities	12	–	112	–	–	400	–	524
Contingent liabilities	–	–	224	–	1 195	322	–	1 741
Total liabilities	12	–	336	–	1 195	722	–	2 265

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

53. Offsetting

At 31 March 2014 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	
Group					
Assets					
Cash and balances at central banks	5 927	–	5 927	–	5 927
Loans and advances to banks	43 868	(8 699)	35 169	–	35 169
Non-sovereign and non-bank cash placements	9 045	–	9 045	–	9 045
Reverse repurchase agreements and cash collateral on securities borrowed	8 419	–	8 419	(2 275)	6 144
Sovereign debt securities	34 815	–	34 815	(7 635)	27 180
Bank debt securities	22 355	–	22 355	(4 718)	17 637
Other debt securities	10 112	–	10 112	(735)	9 377
Derivative financial instruments	13 094	(795)	12 299	(5 753)	6 546
Securities arising from trading activities	4 975	–	4 975	(688)	4 287
Investment portfolio	8 657	–	8 657	–	8 657
Loans and advances to customers	149 354	–	149 354	–	149 354
Own originated loans and advances to customers securitised	7 516	–	7 516	–	7 516
Other loans and advances	552	–	552	–	552
Other securitised assets	1 968	–	1 968	–	1 968
Other assets	5 925	–	5 925	–	5 925
	326 582	(9 494)	317 088	(21 804)	295 284
Liabilities					
Deposits by banks	23 697	(795)	22 902	–	22 902
Derivative financial instruments	17 958	(8 699)	9 259	(5 753)	3 506
Other trading liabilities	8 247	–	8 247	–	8 247
Repurchase agreements and cash collateral on securities lent	17 686	–	17 686	(16 051)	1 635
Customer accounts (deposits)	204 903	–	204 903	–	204 903
Debt securities in issue	8 556	–	8 556	–	8 556
Liabilities arising on securitisation of own originated loans and advances	4 924	–	4 924	–	4 924
Liabilities arising on securitisation of other assets	156	–	156	–	156
Other liabilities	6 666	–	6 666	–	6 666
Subordinated liabilities	10 498	–	10 498	–	10 498
	303 291	(9 494)	293 797	(21 804)	271 993

53. Offsetting (continued)

At 31 March 2013 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	
Group					
Assets					
Cash and balances at central banks	5 677	–	5 677	–	5 677
Loans and advances to banks	32 255	(6 879)	25 376	–	25 376
Non-sovereign and non-bank cash placements	5 875	–	5 875	–	5 875
Reverse repurchase agreements and cash collateral on securities borrowed	15 846	–	15 846	(2 205)	13 641
Sovereign debt securities	33 730	–	33 730	(11 125)	22 605
Bank debt securities	20 969	–	20 969	(4 503)	16 466
Other debt securities	7 006	–	7 006	(354)	6 652
Derivative financial instruments	12 733	(574)	12 159	(6 251)	5 908
Securities arising from trading activities	3 598	–	3 598	–	3 598
Investment portfolio	8 202	–	8 202	–	8 202
Loans and advances to customers	135 733	–	135 733	–	135 733
Own originated loans and advances to customers securitised	6 130	–	6 130	–	6 130
Other loans and advances	672	–	672	–	672
Other securitised assets	1 584	–	1 584	–	1 584
Other assets	8 444	–	8 444	–	8 444
	298 454	(7 453)	291 001	(24 438)	266 563
Liabilities					
Deposits by banks	18 435	(574)	17 861	–	17 861
Derivative financial instruments	16 116	(6 879)	9 237	(6 251)	2 986
Other trading liabilities	6 687	–	6 687	–	6 687
Repurchase agreements and cash collateral on securities lent	18 188	–	18 188	(18 187)	1
Customer accounts (deposits)	185 311	–	185 311	–	185 311
Debt securities in issue	6 147	–	6 147	–	6 147
Liabilities arising on securitisation of own originated loans and advances	6 259	–	6 259	–	6 259
Liabilities arising on securitisation of other assets	588	–	588	–	588
Other liabilities	7 214	–	7 214	–	7 214
Subordinated liabilities	14 455	–	14 455	–	14 455
	279 400	(7 453)	271 947	(24 438)	247 509

54. Acquisitions and disposals

On 31 July 2013, Investec completed the sale of 15% of its Asset Management business, owned by Investec Limited, for a consideration of R684 million in cash to the senior management of the business who have also been granted options to acquire, over a period of seven years beginning on 1 April 2013, a further 5% interest. As part of this transaction Investec Limited has realised a gain of R1 232 million on the disposal of a non-controlling interest in its subsidiary, Investec Asset Management Holdings (Pty) Ltd, which is reflected in equity together with an increase in non-controlling interests of R187 million.

The group has funded R751 million of this acquisition, resulting in net proceeds of R668 million.

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