Annual report 2015

Investec Limited group and company
annual financial statements

Out of the Ordinary®

Investec

About this 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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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

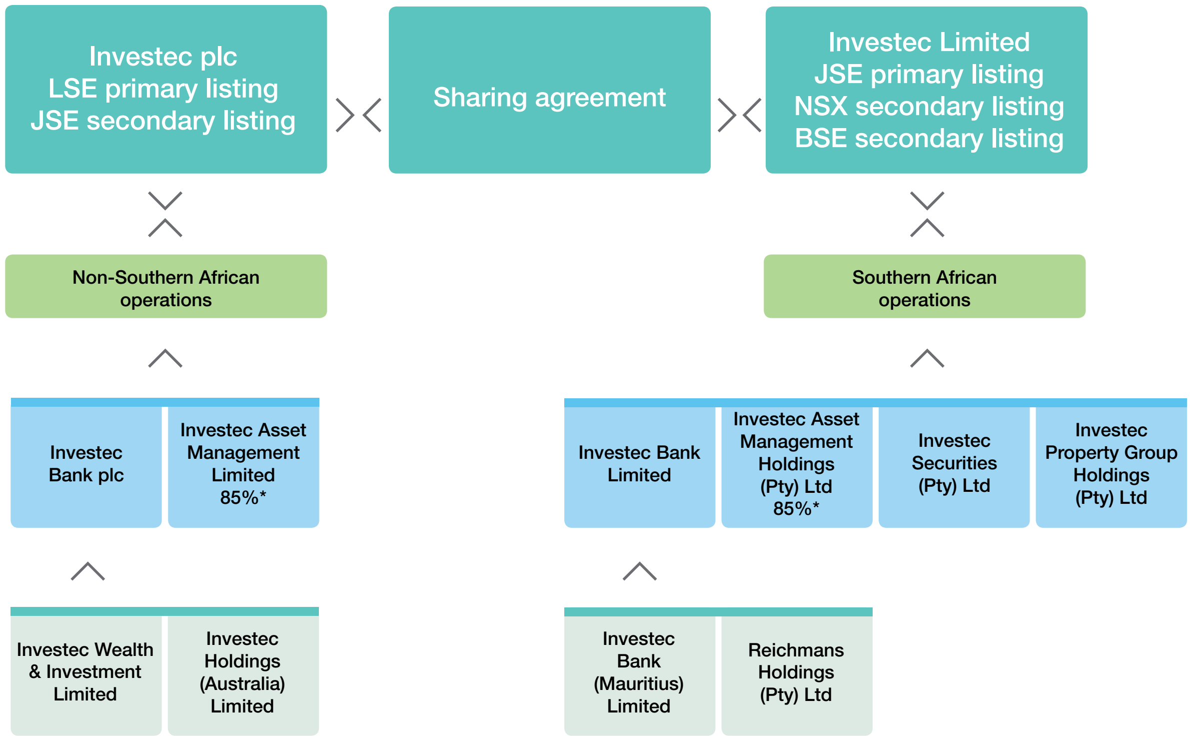
Operating structure

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 2015



Kensington Group plc was sold on 30 January 2015. Investec Bank (Australia) Limited was sold on 31 July 2014.

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

All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Salient features of the DLC structure

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

What we do. . .
Asset Management

At Investec Asset Management, we want to assist people around the globe to retire with dignity. We do this by assisting institutional asset owners and financial advisors to meet the investment objectives of their members and clients. Our business is to manage clients' investments to the highest standard possible by exceeding their investment and client service expectations

Investec Asset Management is a global provider of active investment management services. Established in 1991 in South Africa, we have built a successful global investment management firm from emerging markets. We are still managed by our founding members whose tenure and continuity has balanced stability and growth.

Our investment team of approximately 175 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our target clients around the globe. These teams are supported by our global investment and operational infrastructure.

We manage approximately R1.4 trillion assets globally.

What we do. . .
Wealth & Investment

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes. Investec Wealth & Investment is one of the UK's leading private client investment managers and the largest in South Africa

The business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities. Through the alliance of Investec Private Client Securities in South Africa, Investec Wealth & Investment Limited in the UK, Investec Bank Switzerland, Investec Wealth & Investment Ireland and Investec Wealth & Investment Channel Islands, Investec Wealth & Investment is one of the UK's leading private client investment managers, the largest in South Africa, and has a significant European presence.

We manage approximately R820 billion assets globally, with R297 billion managed by our South African business.

What we do. . .
Specialist Banking

The bank operates as a specialist bank in Southern Africa 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 proposition

- Organically built an independent global platform from an emerging market base
- Independently managed entity within the Investec group
- Competitive investment performance in chosen specialities
- Truly global approach:
  – global investing
  – global client base
  – global operations platform
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership.

Wealth & Investment value proposition

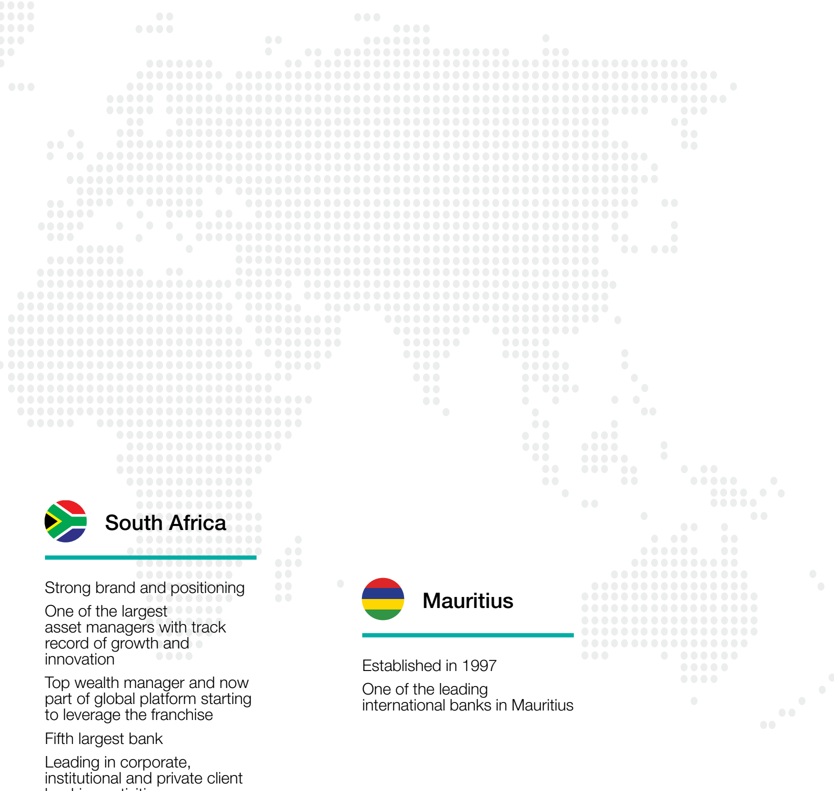
- Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time
- Well established in South Africa
- Focus is on internationalising the business; enhancing our range of services for the benefit of our clients; and on organic growth in our key markets.

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.

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



South Africa

Strong brand and positioning

One of the largest asset managers with track record of growth and innovation

Top wealth manager and now part of global platform starting to leverage the franchise

Fifth largest bank

Leading in corporate, institutional and private client banking activities

Mauritius

Established in 1997

One of the leading international banks in Mauritius

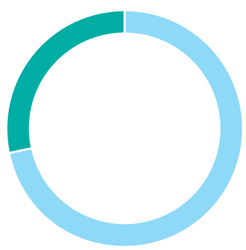
Highlights

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

Asset Management reported a 6.7% increase in operating profit* and Wealth & Investment's operating profit* increased by 20.7%. Both businesses benefited from higher levels of average funds under management. The Specialist Banking business reported a 32.3% increase in operating profit*

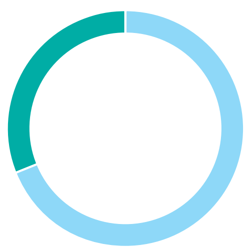
Operating profit^ increased 24.7% to R5 749 million (2014: R4 610 million)

Contribution to operating profit*



31 March 2015

Specialist Banking	71.9%
Asset Management and Wealth Management businesses	28.1%



31 March 2014

Specialist Banking	68.9%
Asset Management and Wealth Management businesses	31.1%

* *Before taxation, headline adjustments and group costs and after other non-controlling interests.*

^ *Before taxation and headline adjustments, and after non-controlling interests.*

Our financial performance

Headline earnings attributable to ordinary shareholders increased 20.7%

2015	2014
R3 874mn	R3 211mn

Improving cost to income ratio

2015	2014
52.4%	54.5%

Improving credit loss ratio

2015	2014
0.28%	0.42%

Cash and near cash balances increased 5.0%

2015	2014
R88.7bn	R84.5bn

Our financial performance

Core loans and advances increased 16.1%

2015	2014
R182.1bn	R156.9bn

Customer deposits increased 8.0%

2015	2014
R221.4bn	R204.9bn

Third party assets under management increased 10.9%

2015	2014
R788.7bn	R711.1bn

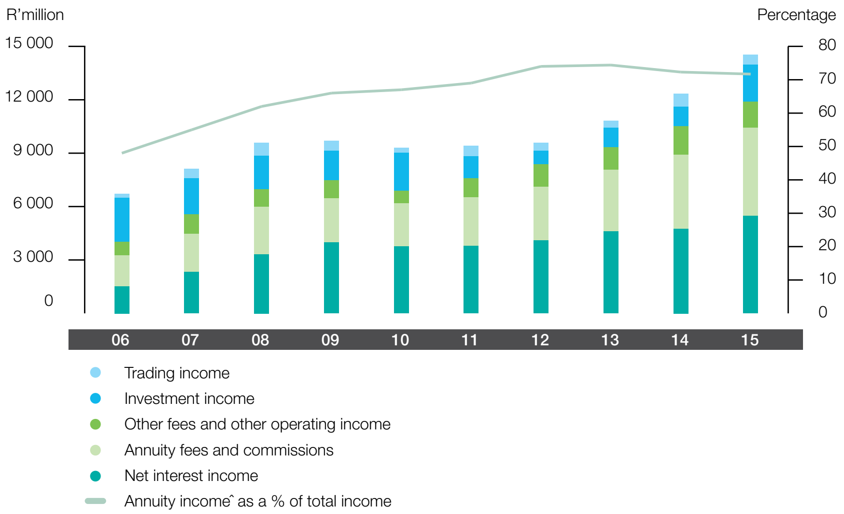
Low gearing ratios

2015	2014
10.1 times	10.5 times

Other financial features

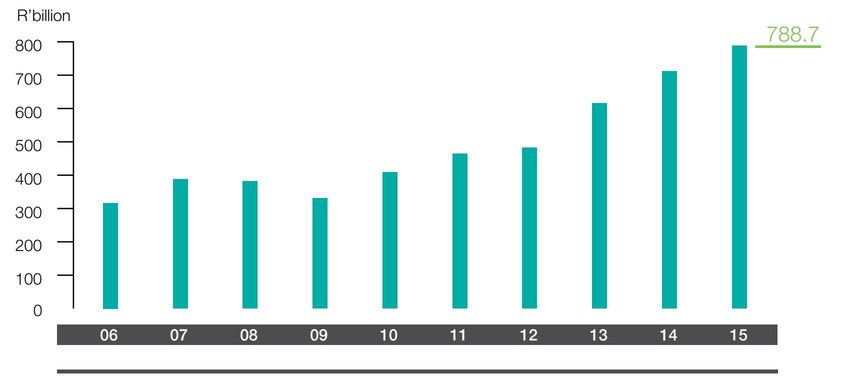
R'million	31 March 2015	31 March 2014	% change
Total capital resources (including subordinated liabilities)	45 975	41 625	10.5%
Total shareholders' equity	35 526	31 127	14.1%
Total assets	473 633	430 091	10.1%

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

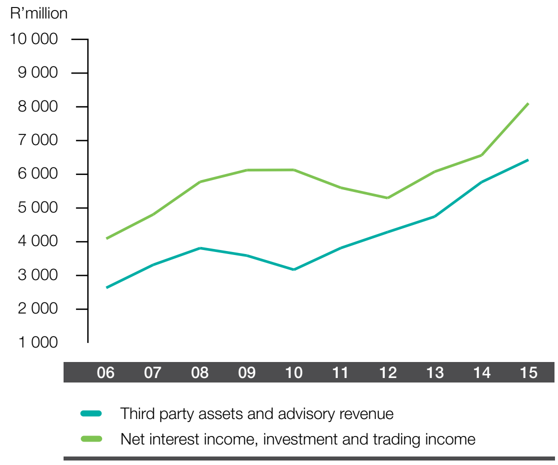
Sustainable business model

Capital light businesses

R6 429 million
44% of total revenue

Net fees and commissions of
R6 400 million
44% of total

Other of
R29 million
0% of total



Capital intensive businesses

R8 107 million
56% of total revenue

Net interest income of
R5 480 million
38% of total

Investment income of
R2 067 million
14% of total

Trading income of
R560 million
4% of total

Third party asset management and advisory revenue

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

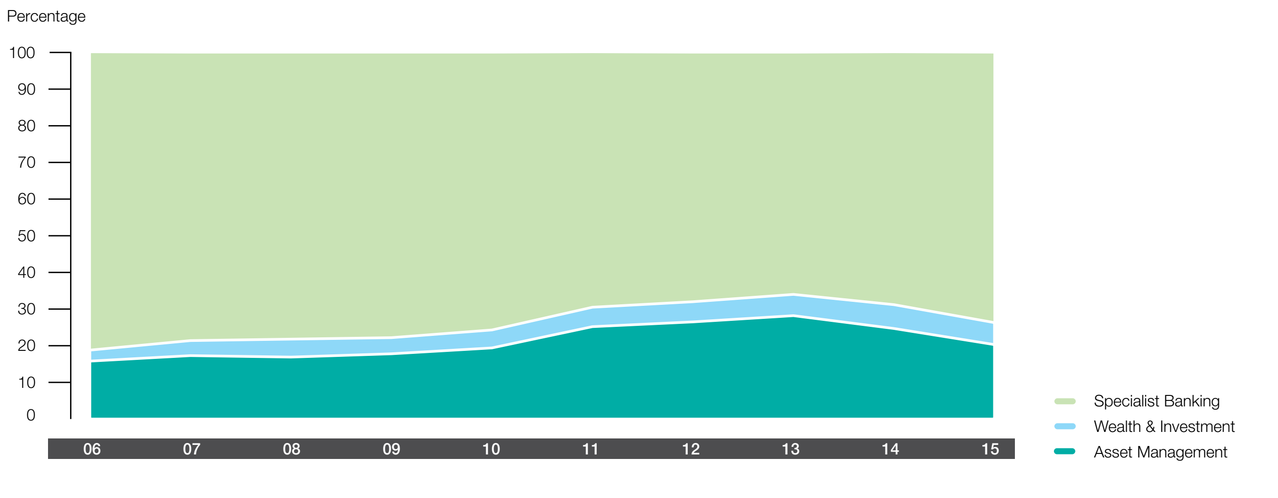
- Containing costs
- Maintaining credit quality
- Strictly managing risk and liquidity.

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 71.7% of operating income

Contribution to operating profit*

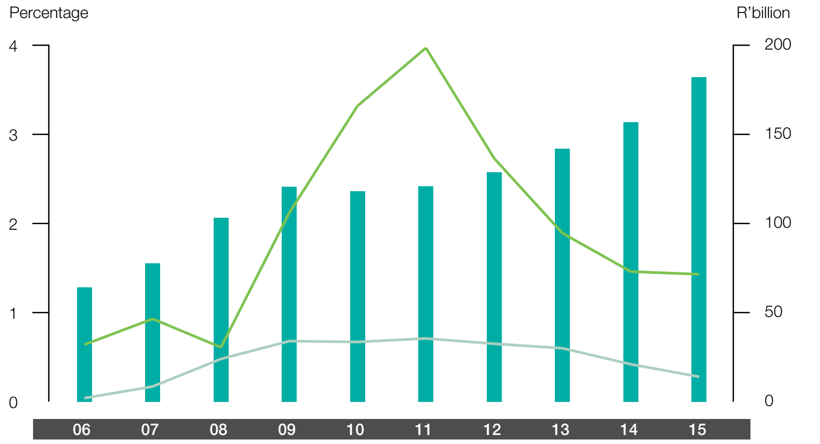


* *Before taxation and headline adjustments.*

Credit quality on core loans and advances has improved

- Core loans and advances increased 16.1% to R182.1 billion
- Default loans (net of impairments) as a percentage of core loans and advances decreased from 1.46% to 1.43%
- The credit loss ratio improved from 0.42% to 0.28%
- Net defaults (after impairments) remain adequately collateralised.

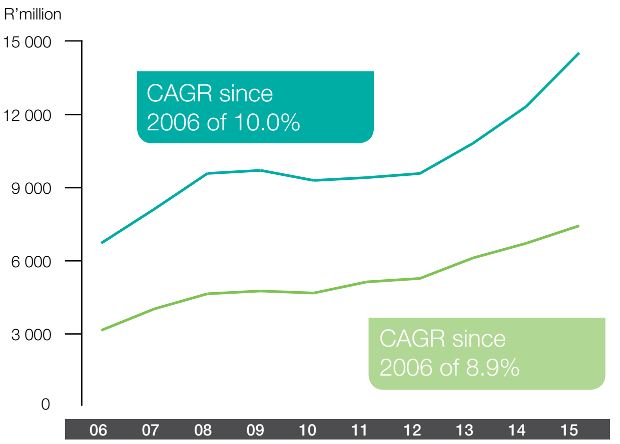
Default and core loans



- Net core loans (RHS)
- Net defaults (before collateral) as a % of core loans and advances (LHS)
- Credit loss ratio (income statement impairment charge as a % of average core advances) (LHS)

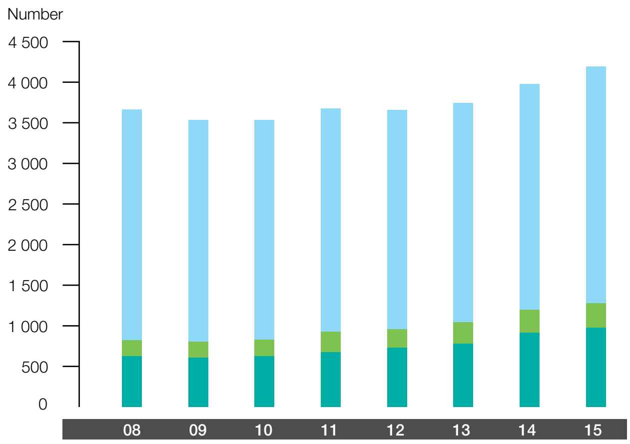
Costs relative to revenue improved

Cost to income ratio 52.4% (2014: 54.5%)



- Total revenue
- Expenses (excluding depreciation)

Headcount*



- Specialist Banking
- Wealth & Investment
- Asset Management

* *Permanent headcount.*

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets – approximately 34.1% of our 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 78.6% (2014: 72.9%)

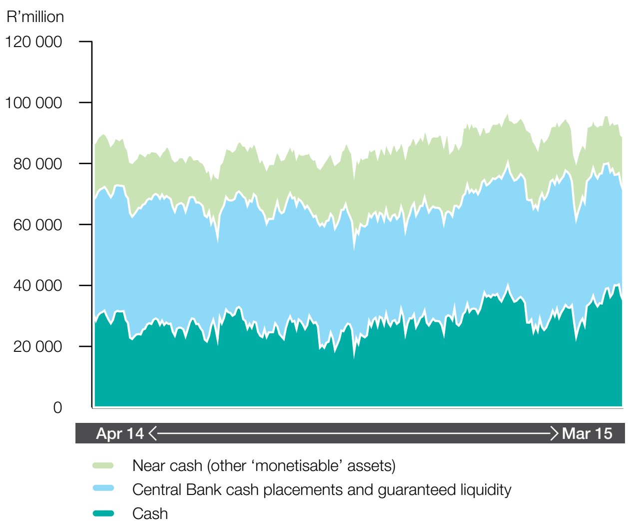
The three-month average of Investec Bank Limited's (solo basis) liquidity coverage ratio is at 100.3% which is well ahead of the minimum level required.

Capital adequacy and tier 1 ratios

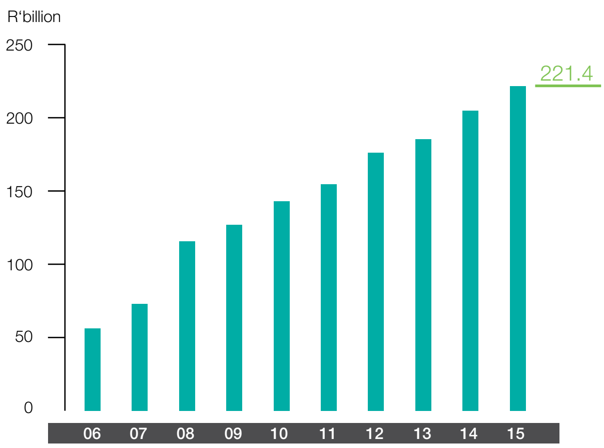
	31 March 2015 (Basel III)			31 March 2014 (Basel III)		
	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio
Investec Limited	14.7%	11.3%	9.6%	14.9%	11.0%	9.4%
Investec Bank Limited	15.4%	11.4%	11.0%	15.3%	10.8%	10.3%

Sound retail deposit franchise

Cash and near cash trend



Customer accounts (deposits)



Investec Limited in perspective

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Financial review

An overview of the operating environment impacting our business

South Africa

Our views

South Africa faced a difficult year in 2014, with strike action in the platinum belt persisting for close to two quarters and GDP growth consequently slipping to 1.5% year on year as consumer spending, domestic fixed investment and production were all negatively affected. Nevertheless, gains were still made as GDP per capita rose to R56 122 in real terms from R56 044, and real disposable income per capita also lifted.

1.5%	2.2%
2014/15 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2015	2014
R56 122	R56 044

The World Bank evidences that South Africa has established a more equitable society over the past 20 years via social assistance programmes, particularly spend on education and healthcare

Upward social mobility persisted, largely on the ongoing roll-out of social services, which accounted for 68% of government revenue. Redistribution between the rich and poor via direct (personal income) taxation is progressive, and the World Bank shows South Africa achieved the largest reduction in poverty and inequality compared to the other middle income economies studied on the provision of free basic services and direct monetary transfers to households. South Africa's Gini coefficient on income is measured at 0.77 before taxes and social spending and 0.59 after. It is still high, but the fiscal space to spend more to achieve even greater redistribution is extremely limited, with South Africa already receiving a number of credit rating downgrades over the past few years. More needs to be done to reduce inequality, in particular South Africa needs substantially faster economic growth via a tripling in the size of the private corporate sector in order to achieve single digit unemployment, an eradication of poverty and a further reduction in inequality.

South Africa increased its interest rates by 75bps over 2014 and further hikes are expected from current, still low, levels. Electricity supply constraints have proved an inhibitor to economic performance, while higher interest rates and indebtedness impacted household consumption expenditure in 2014.

2014/15 has seen a more conservative budget released than in recent years, detailing reduced projections on government net debt as a percentage of GDP, and projected consolidation of the fiscal deficit, with some reduction in government expenditure. If achieved, this should assist South Africa to maintain its credit rating of BBB- from Standard and Poor's on its long-term foreign currency sovereign debt.

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 2015	Period ended 31 March 2014	% change	Average over the period 1 April 2014 to 31 March 2015
Market indicators				
FTSE All share	3 664	3 556	3.0%	3 591
JSE All share	52 182	47 771	9.2%	50 611
Australia All ords	5 862	5 403	8.5%	5 494
S&P	2 068	1 872	10.5%	1 988
Nikkei	19 207	14 828	29.5%	16 256
Dow Jones	17 776	16 458	8.0%	17 180
Rates				
SA R186	7.80%	8.40%		8.00%
Rand overnight	5.53%	5.33%		5.46%
SA prime overdraft rate	9.25%	9.00%		9.16%
JIBAR – three-month	6.11%	5.73%		6.00%
Reserve Bank of Australia cash target rate	2.25%	2.50%		2.46%
UK overnight	0.42%	0.33%		0.43%
UK 10-year	1.58%	2.74%		2.25%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR – three-month	0.57%	0.52%		0.55%
US 10-year	1.93%	2.73%		2.34%
Commodities				
Gold	US$1 188/oz	US$1 289/oz	(7.8%)	US$1 248/oz
Gas Oil	US$526/mt	US$904/mt	(41.8%)	US$746/mt
Platinum	US$1 129/oz	US$1 418/oz	(20.4%)	US$1 236/oz
Macro-economic				
South Africa GDP (% real growth over the calendar year in Rands, historical revised)	1.5%	2.2%		
South Africa per capita GDP (real value in Rands, historical revised)	56 122	56 044	0.1%	

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.

32 – 55

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

73 – 77

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

76 – 77

Legal and regulatory risks are substantial in our businesses.

67 – 73

Liquidity risk may impair our ability to fund our operations.

76

Reputational, strategic and **business risk.**

64 – 67

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

73 – 77

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

56 – 63

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

77 – 88

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

73 – 77

Employee misconduct could cause harm that is difficult to detect.

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

See Investec's 2015 integrated annual report on our website.

13 – 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

- Fixed fees as a percentage of assets under management
- Variable performance fees.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movements in the value of the assets underlying client portfolios
- Performance of portfolios against set benchmarks
- Net flows.

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- 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.

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, are 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 20.7% to R3 874 million (2014: R3 211 million). The balance sheet remains strong with a capital adequacy ratio of 14.7% as calculated in terms of Basel III (2014: 14.9%).

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the results for the year ended 31 March 2014.

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

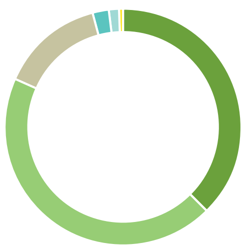
Total operating income before impairment losses on loans and advances of R14 536 million is 17.9% higher than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2015	% of total income	31 March 2014	% of total income	% change
Net interest income	5 480	37.8%	4 753	38.6%	15.3%
Net fee and commission income	6 400	44.0%	5 726	46.4%	11.8%
Investment income	2 067	14.2%	1 069	8.7%	93.4%
Trading income arising from					
– customer flow	327	2.2%	432	3.5%	(24.3%)
– balance sheet management and other trading activities	233	1.6%	309	2.5%	(24.6%)
Other operating income	29	0.2%	42	0.3%	(31.0%)
Total operating income before impairment losses on loans and advances	14 536	100.0%	12 331	100.0%	17.9%

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

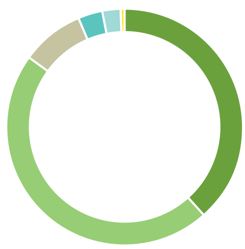
R'million	31 March 2015	% of total income	31 March 2014	% of total income	% change
Asset Management	2 976	20.5%	2 755	22.3%	8.0%
Wealth & Investment	1 111	7.6%	954	7.7%	16.5%
Specialist Banking	10 449	71.9%	8 622	70.0%	21.2%
Total operating income before impairment losses on loans and advances	14 536	100.0%	12 331	100.0%	17.9%

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



31 March 2015
R14 536 million total operating income before impairment losses on loans and advances

Net interest income	37.8%
Net fee and commission income	44.0%
Investment income	14.2%
Trading income arising from customer flow	2.2%
Trading income arising from balance sheet management and other trading activities	1.6%
Other operating income	0.2%



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%

Net interest income

Net interest income increased by 15.3% to R5 480 million (2014: R4 753 million) with the bank benefiting from an increase in its loan portfolio and a positive endowment impact.

For a further analysis of interest received and interest paid refer to page 137.

Net fee and commission income

Net fee and commission income increased by 11.8% to R6 400 million (2014: R5 726 million) as a result of higher average funds under management in the asset management and wealth management businesses. The private banking professional finance business continued to perform well, with corporate fees remaining largely in line with the prior year.

For a further analysis of net fee and commission income refer to page 138.

Investment income

Investment income increased to R2 067 million (2014: R1 069 million) with the unlisted investments portfolio continuing to perform well.

For a further analysis of investment income refer to pages 138 and 139.

Trading income

Trading income arising from customer flow and other trading activities decreased to R560 million (2014: R741 million) largely reflecting less activity in respect of balance sheet management.

Impairment losses on loans and advances

Impairment losses on loans and advances decreased from R636 million to R456 million. The credit loss charge as a percentage of average gross core loans and advances has improved from 0.42% to 0.28%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 1.43% (2014: 1.46%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.44 times (2014: 1.55 times).

For further information on asset quality refer to pages 47 to 55.

Operating costs

The ratio of total operating costs to total operating income amounts to 52.4% (2014: 54.5%). Total operating expenses at R7 617 million were 13.4% higher than the prior year (2014: R6 718 million), reflecting an increase in headcount to support growth initiatives and increased variable remuneration given improved profitability.

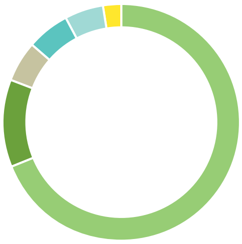
The various components of total expenses are analysed below.

R'million	31 March 2015	% of total expenses	31 March 2014	% of total expenses	% change
Staff costs (including directors' remuneration)	5 256	69.0%	4 520	67.3%	16.3%
Business expenses	908	11.9%	833	12.4%	9.0%
Equipment (excluding depreciation)	426	5.6%	399	5.9%	6.8%
Premises (excluding depreciation)	448	5.9%	455	6.8%	(1.5%)
Marketing expenses	401	5.3%	326	4.8%	23.0%
Depreciation	178	2.3%	185	2.8%	(3.8%)
Total operating costs	7 617	100.0%	6 718	100.0%	13.4%

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

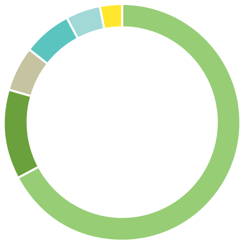
R'million	31 March 2015	% of total expenses	31 March 2014	% of total expenses	% change
Asset Management	1 666	21.9%	1 528	22.7%	9.0%
Wealth & Investment	721	9.5%	631	9.4%	14.3%
Specialist Banking	5 065	66.5%	4 418	65.8%	14.6%
Group costs	165	2.1%	141	2.1%	17.0%
Total operating costs	7 617	100.0%	6 718	100.0%	13.4%

% of total operating costs



31 March 2015
R7 617 million total operating costs

Staff costs	69.0%
Business expenses	11.9%
Equipment	5.6%
Premises	5.9%
Marketing	5.3%
Depreciation	2.3%



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%

Balance sheet analysis

Since 31 March 2014:

- Total shareholders' equity (including non-controlling interests) increased by 14.1% to R35.5 billion largely as a result of retained earnings
- Total assets increased by 10.1% to R473.6 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

Asset Management…

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

A Superficially rising markets have created a benign environment for investment managers, but this year was not without its challenges. The volatility in emerging markets, specifically emerging market currencies, continued throughout the financial year and has impacted our short-term growth as well as demand for some of our services. Furthermore, we have had some capacity constraints across some of our strategies. These were caused by the extremely low levels of liquidity available in financial markets. Without these constraints our net inflows would have been substantially higher.

Regulatory initiatives continue across geographies and, given the global nature of our business, consume more and more resources and management time. We do not see this changing in the near term for our industry. Our industry remains fiercely competitive, thus requiring constant productivity increases to assure margin retention.

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

A This financial year we continued to invest in growth initiatives across the business. We have invested in building out our Equities and Multi-Asset capabilities, expanded our footprint in most of our large markets and continued to invest in our global support functions. Big wins for the past year were the excellent performance of our global equities business, the graduation of our global Multi-Asset offering onto many consultants' buy lists and evidence of significant institutional traction in this important growth area.

Our European and Asia Pacific client groups delivered strong net inflows after years of hard work and investment. Our South African business has experienced outflows but we have simplified and focused the business with a clear plan to turn the momentum decisively over the next few years.

Our firm is well positioned in our target markets around the world, and as a result of this we are pleased to report the eighth consecutive year of positive net inflows. We continue to attract top talent into our business while maintaining stability across our firm.

What are your strategic objectives in the coming year?

A Our primary goal is to deliver on our clients' mandates. Our reason for existence is to look after other people's money. If we pursue their interests, we will do well.

With a long-term horizon and through five geographically defined client groups, we serve the largest and most sophisticated institutional investors and asset platforms, irrespective of where they may be based. We are also committed to building a strong presence in the advisor market in select regions.

Our strategic objectives are to invest in and nurture growth opportunities, enhance depth and quality, and position the firm for long-term sustainability.

Furthermore, recognising that this is, above all, a people's business, we continue to do our best to attract, develop and promote talent within a stable environment with a long future.

What is your outlook for the coming year?

A Our business has a long-term horizon and as such we do not manage our business for the short term. However, we believe that the opportunity for growth over the next five years is significant. Our momentum is positive and we are confident that we are well positioned to face the future.

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

A Developing the communities and environment in which we operate is critical to the upliftment of our economy. During the year, we received the *Mail & Guardian's* 2014 Investing in the Future Award for our Promaths programme which commended Investec for taking a long-term view to social development by improving skills in Maths and Science for the past 10 years.

We also experienced good momentum in the Enterprise Development programme which was launched in the previous financial year and which continues to share valuable strategic, financial and marketing skills to selected entrepreneurs.

Our staff remain vital in delivering on our promise to provide exceptional client experiences and hence we continue to focus on attracting, retaining and developing talent. In this regard, Investec was voted one of the most attractive employers in the 2015 Universum Most Attractive Employer awards where Investec was voted Best Bank by both professionals and graduates.

Questions and answers

Steve Elliott

Chief executive officer

Wealth & Investment…

Can you give us an overview of the environment in which you operated over the past year?

A In South Africa, the 12 months to end March 2015 proved to be volatile with the JSE reaching a peak of 53 575 and a low during the period of 46 068. This volatility occurred as a result of global economic conditions with accommodative monetary policy and the downturn in commodity prices. Global growth was modest with two of the world's largest economies, China and the Eurozone, having seen economic growth slow significantly. The spread between US and German 10-year government bond yields widened considerably and Euro quantitative easing weakened the Euro even further. Investors favoured comparatively higher yielding US debt, strengthening the US Dollar with purchases into the safe haven currency.

The Rand has lost significant ground on US Dollar strength although Euro weakness saw the Rand strengthening against the common currency, but not against the UK Pound. The outlook for inflation has been lowered both globally and in South Africa, which has lowered global interest rate expectations. South Africa's benchmark government bond has seen its yield drop below 7.00%, after starting the period at 8.39%, with foreign net purchases of South African bonds and equities recorded at R24.6 billion, a figure which obscures the swings in investor sentiment to some degree.

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

A In South Africa, we have focused on the expansion of our investment range, the further integration of our global investment forums and the practical application of technology to provide a transparent and cohesive view of the investor's domestic and international investment holdings. Central to this was the roll out of the One Place strategy, which focused strategically on bringing the Private Banking and Wealth & Investment capabilities closer together around the client. We also opened an office in Stellenbosch to service and grow our client base in that region.

During the year, the South African business continued to enhance its range of domestic and international investment mandates for investors and has been able to deliver positive performance across a number of these. This, together with the depth of investment process and stability of experienced staff, allowed for robust growth in assets under management.

The expansion of the South African offshore offering included launching the segregated Global Leaders Portfolio, a high conviction, concentrated portfolio of leading companies listed in the major developed markets. We have also enhanced our digital capabilities to offer our local and international discretionary investment management services through our Online Portfolio Management service at lower minimum investment levels to existing Wealth & Investment clients and soon to all Investec private clients.

What are your strategic objectives in the coming year?

A Serving our existing client base to the best of our ability is central to the strategy of our global Wealth & Investment business and the foundation on which our future growth and success will be built. We strive to always look forward to predict how our clients' needs will change over time, in order that we can plan to meet those needs into the future. We expect that an increasing portion of our clients will demand more of the service they receive from us to be delivered digitally going forward. With this in mind, we are investing resources to enhance our digital offering to our current and future clients across all geographies.

In South Africa, we continue to reinforce our leading market position by focusing on our clients' needs and on internationalising the offering. Our strategy of working together with the Private Banking business to offer our private clients an integrated banking and investment solution, both locally and internationally, has proved successful and we will continue to enhance and improve this offering.

We are starting to gain traction with our Independent Financial Advisers' strategy and look to develop it further, investing in dedicated resources to drive and build the business. We are also looking at the Charitable Trust business to manage charitable funds and trusts for our high-net-worth clients.

What is your outlook for the coming year?

A In South Africa, the JSE entered a more volatile period during the last quarter of the financial year. Nevertheless, our positive outlook remains, with many of the global threats slowly receding. Electricity load shedding and general weak demand have dampened a potential recovery in economic growth, and will likely continue to weigh on the economy going forward. Despite its challenges, there is still a case to own South African equities, particularly those with global exposure. The big picture remains the same, 'risk' assets are cheap relative to 'insurance' assets, and the corporate sector that supports these risk assets is healthy.

The proven resilience of our business model and the opportunities which we are pursuing through our strategy means we look forward to the forthcoming financial year with confidence.

Questions and answers

Stephen Koseff Glynn Burger Bernard Kantor

Business leaders

Specialist Banking...

Can you give us an overview of the environment in which you operated over the past year?

A The South African operating environment has been mixed. On the one hand, the economic and political environments have been fragile. There has been slow economic growth which impacted spending, domestic fixed investment and production. The Rand continues to weaken against major currencies. Furthermore, strike action persisted and electricity supply constraints have proved an inhibitor to economic performance, while high indebtedness impacted consumer spending.

On the other hand, we have had very positive growth in the equity markets with the JSE All Share Index up 9.2% for the period and overall good activity in corporate South Africa.

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

A Notwithstanding the economic environment, it has been a particularly good year for the specialist bank in South Africa with operating profit up 32.3%. All businesses have done well largely as a result of reasonable activity levels across both corporates and private clients. We have experienced strong growth in our key drivers with underlying lending up some 16% over the past year and a positive endowment impact.

We continued to be recognised for this focus and performance. From a corporate perspective, the Aviation Finance team won the Corporate Jet Investor Award again this past year and our Corporate Finance team came out top in both value and volume of transactions in the DealMakers awards. In the private client space, the Retail Funding business has increased its profile and we were once again recognised as the Best Private Bank in South Africa by *Financial Times* and *Euromoney.*

It has been particularly rewarding to see how the collaboration between the Private Bank and Wealth & Investment businesses has benefited the overall business. Furthermore, good progress has been made with rolling out our digitisation strategy as we continually look to enhance this offering to ensure it's the best solution for our clients.

What are your key strategic objectives for the coming year?

A We will continue with the existing strategy of building and developing our client franchises, which remain integral to the growth and development of our business. This is focused on delivering integrated solutions to both our private and corporate clients, extending the quality of our service and products to attract new clients and ensuring we deepen our existing client relationships.

In the private client space, we will continue to organically grow the existing businesses of transactional banking, property and private capital. Our strategy of cross-selling products across different client bases, providing services between Private Bank and the Wealth & Investment businesses has proved successful and we will continue to leverage these relationships.

What is your outlook for the coming year?

A The South African business has had a particularly good year and this may be hard to sustain going forward. There are structural challenges in the economy and we are cautious about the political uncertainty which can create a difficult environment for our business. However, the recent national budget proposed is more conservative than in recent years and, if achieved, should assist South Africa in maintaining its investment grade rating. Furthermore, South African corporates tend to be more resilient in a disrupted environment and there are potential opportunities to support them both domestically, on the continent and internationally.

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

A Developing the communities and environment in which we operate is critical to the upliftment of our economy. During the year, we received the *Mail & Guardian's* 2014 Investing in the Future Award for our Promaths programme which commended Investec for taking a long-term view to social development by improving skills in Maths and Science for the past 10 years.

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3

Risk management and corporate governance

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 27 to 89 with further disclosures provided within the annual financial statements section on pages 120 to 195.

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

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

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

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

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

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

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 and 14.

Executive management is intimately involved in ensuring stringent management of risk, liquidity and capital. The group predominantly remained within its risk appetite limits/targets across the various risk disciplines. Our risk appetite framework as set out on page 30 continues to be assessed in light of prevailing market conditions and group strategy.

Credit risk

Credit and counterparty exposures are to a select target market and our risk appetite continues to favour lower risk income-based lending with credit risk taken over a short-to-medium term. We expect our target clients to demonstrate sound financial strength and integrity, a core competency and an established track record.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of the book.

Group Risk Management objectives are to:

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

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

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 17% of the book, other lending collateralised by property 4%, HNW and private client lending 45% and corporate lending 34% (with most industry concentrations well below 5%). We anticipate that future growth in our core loan portfolio will largely come from professional mortgages and across most of our corporate categories.

Net core loans and advances grew by 16% to R182.1 billion with residential owner-occupied, private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances reduced from 1.46% to 1.43%.

The credit loss ratio improved to 0.28% from 0.42% as we saw stability in the number of new defaulted loans and sufficient collateral available for these transactions.

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

Traded market risk

Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Potential losses that could arise in our trading book portfolio when stress-tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.1% of total operating income.

Trading conditions have remained difficult. Traders have had to contend with very uncertain markets as well as declining market liquidity. While client flow has been under pressure, Investec remains committed to trading on client flow and not proprietary trading. The equity derivatives business has continued to grow both their product offering and the diversity of their client base. Currency markets have generally been illiquid and volatile. Corporate foreign exchange volumes are up, leading to increased revenue, however, profit margins have tightened.

The trend of low discretionary risk-taking in local rates continued in the past year. Little uncertainty and stable interest rates in the local rate environment have not encouraged corporate hedging activity.

Capital management

We continued to maintain a sound balance sheet with a low gearing ratio of 10.1 times and a core loans to equity ratio of 5.1 times. We have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. All our banking subsidiaries meet current internal targets. We are comfortable with our common equity tier 1 ratio target at a 10% level as our fully loaded leverage ratio for Investec Limited is above 6%. We believe that we have sufficient capital to support our growth initiatives.

Balance sheet and liquidity risk

Holding a high level of readily available, high-quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth. Cash and near cash balances amounted to R88.7 billion at year end, representing 34.1% of our liability base.

We continued to build our structural liquidity cash resources over the course of the year as part of our drive to improve the Basel III Liquidity Coverage Ratio (LCR) in order to adhere to regulations which were implemented from 1 January 2015. We ended the year with the three-month average of Investec Bank Limited's (solo basis) LCR at 100.3% which is well ahead of the minimum level required.

The cost of funding continued to increase for local banks, including Investec, as competition for 'Basel III friendly' deposits increased.

Total customer deposits increased by 8% from 1 April 2014 to R221.4 billion at 31 March 2015 (Private Bank deposits amounted to R89.8 billion and other external deposits amounted to R131.6 billion).

Investment risk

Our investment portfolio continued to perform well. Overall, we remain comfortable with the performance of our equity investment portfolios which comprise 4.88% of total assets.

Conduct, operational and reputational risk

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks.

The bank has a stress testing process which informs the risk appetite review process and the management of risk appetite limits, and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

Salient features

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

Year to 31 March	2015	2014
Total assets (excluding assurance assets) (R'million)	359 728	327 157
Total risk-weighted assets (R'million)	269 466	248 040
Total equity (R'million)	35 526	31 127
Net core loans and advances (R'million)	182 058	156 870
Cash and near cash (R'million)	88 691	84 476
Customer accounts (deposits) (R'million)	221 377	204 903
Gross defaults as a % of gross core loans and advances	2.04%	2.24%
Defaults (net of impairments) as a % of net core loans and advances	1.43%	1.46%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.28%	0.42%
Structured credit investments as a % of total assets^	0.44%	1.17%
Banking book investment and equity risk exposures as a % of total assets^	4.88%	5.02%
Level 3 (fair value assets) as a % of total assets^	2.32%	2.33%
Traded market risk: one-day value at risk (R'million)	3.5	2.8
Core loans to equity ratio	5.1x	5.0x
Total gearing ratio**	10.1x	10.5x
Loans and advances to customers to customer deposits	78.6%	72.9%
Capital adequacy ratio	14.7%	14.9%
Tier 1 ratio	11.3%	11.0%
Common equity tier 1 ratio	9.6%	9.4%
Leverage ratio	8.1%	7.8%
Return on average assets#	1.20%	1.11%
Return on average risk-weighted assets	1.59%	1.47%

* *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.*
# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill and headline adjustments. Average balances are calculated on a straight-line average.*

Overall group risk appetite

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

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

Risk appetite and tolerance metrics	Positioning at 31 March 2015
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities at an Investec Limited group level. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities contributed 44% to total operating income and capital intensive activities contributed 56%
• We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 71.7% of total operating income. Refer to page 8 for further information
• We seek to maintain strict control over fixed costs and target a group cost to income ratio of below 55%	The cost to income ratio amounted to 52.4%. Refer to page 10 for further information
• We aim to build a sustainable business generating sufficient return to shareholders over the longer term, and target a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The return on equity amounted to 16.8% and our return on risk-weighted assets amounted to 1.59%.
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target. Refer to page 86 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% and we target a minimum tier 1 ratio of 10.5% (11.0% by March 2016) and a common equity tier 1 ratio above 10.0% (by March 2016)	We meet current capital targets. Refer to page 86 for further information
• We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 5% of tier 1 capital (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in the group's main operating geography (i.e. South Africa and Mauritius). The group will accept exposures where we have a branch/banking business. The group will also tolerate exposures to other countries where it has core capabilities	
• The level of defaults and impairments continues to improve and we target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/stressed scenario)	The credit loss charge on core loans amounted to 0.28% and defaults net of impairments amounted to 1.43% of total core loans. Refer to page 47 for further information
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to R88.7 billion, representing 34.1% of our liability base. Refer to page 69 for further information
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million for Investec Limited	We meet these internal limits. Refer to page 61 for further information
• We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio is R9.4 billion, representing 34.5% of total tier 1 capital. Refer to page 57 for further information
• Our Operational Risk Management team focuses on improving business performance and compliance with regulatory requirements through review, challenge and escalation	Refer to pages 73 to 75 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks.	Refer to pages 76 to 77 for further information

An overview of key risks

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

These risks have been highlighted on page 15.

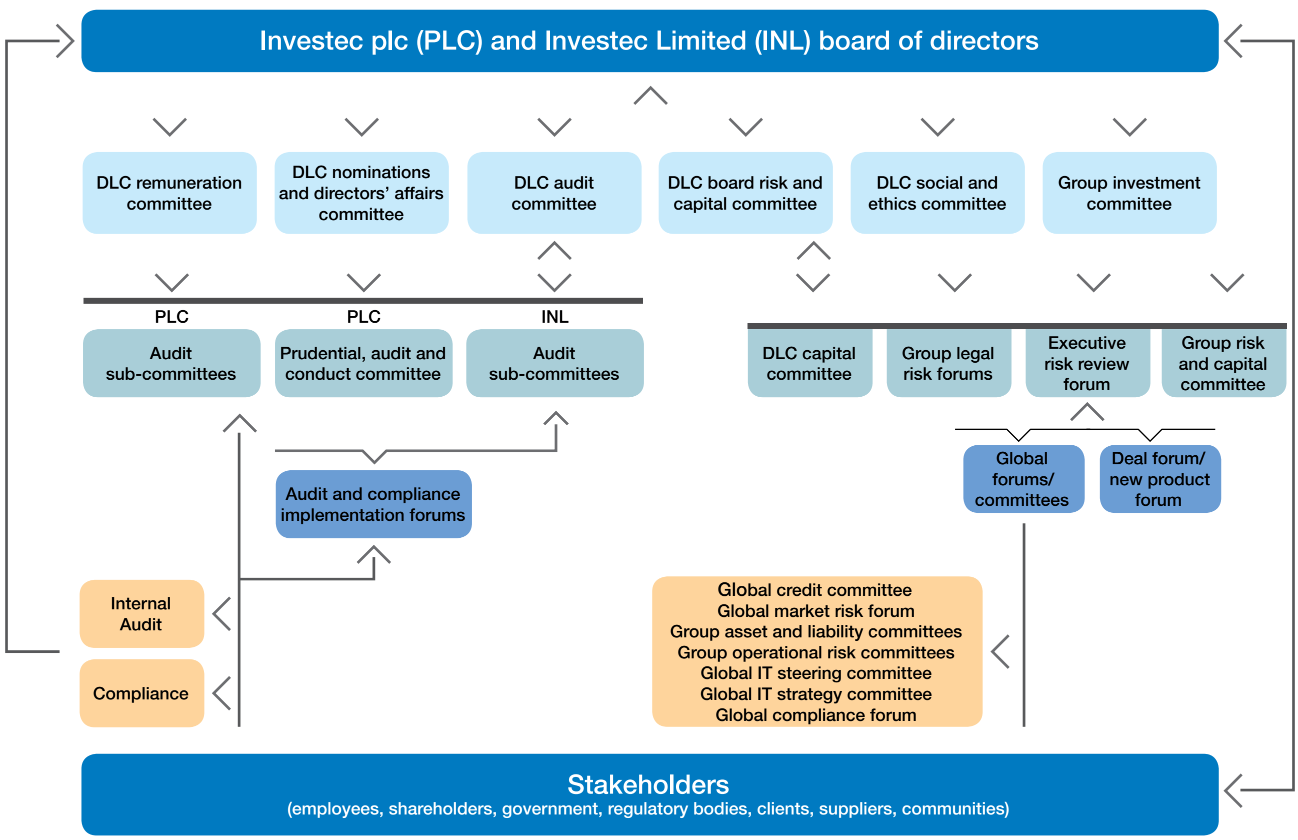
The sections that follow provide information on a number of these risk areas.

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



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

ALCO	Asset and liability committee	ERRF	Executive risk review forum
BCBS	Basel Committee of Banking Supervision	FCA	Financial Conduct Authority
BIS	Bank for International Settlements	FSB	Financial Services Board
BoE	Bank of England	GRCC	Group risk and capital committee
BOM	Bank of Mauritius	PACC	Prudential audit and conduct committee
BRCC	Board risk and capital committee	PRA	Prudential Regulation Authority
ECB	European Central Bank	SARB	South African Reserve Bank

Credit and counterparty risk management

Credit and counterparty risk description

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

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

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected. Our definition of a settlement debtor is a short-term receivable (i.e. less than five days) which is excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty following default by the original counterparty.

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

While 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.

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

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

Credit and counterparty risk governance structure

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

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

- Day-to-day arrears management and regular arrears forecast reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committees review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watch forum 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 specifically reviews and manages distressed loans and potentially distressed loans for private clients. This forum also reviews and monitors counterparties who have been granted forbearance measures.

Credit and counterparty risk appetite

There is a preference for primary exposure in the group's main operating geographies (i.e. South Africa and the UK). The group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography.

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

We have little appetite for unsecured debt and require that good quality collateral is provided in support of obligations (refer to page 55 for further information).

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

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

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.

In certain instances we have elected to sell certain assets down and/or securitise them (refer to pages 58 to 60 for further information).

Concentration risk

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

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

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

Risk appetite

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

Sustainability considerations

Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment, our many 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)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

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

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

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

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

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

Fitch, S&P and Moody's 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 and S&P 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 through a range of client-driven lending activities to private and corporate clients and other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

Lending collateralised by property

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

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

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 53 and 54.

Private client activities

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

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

Credit risk arises from the following activities:

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

An analysis of the private client loan portfolio and asset quality information is provided on pages 53 and 54.

Corporate client activities

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

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

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

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

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

- Corporate Loans: provides senior secured loans to mid-to-large cap companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business based on historic and forecast information. We typically act as transaction lead or arranger, and have a close relationship with management and the sponsor.
- Corporate Debt Securities: these are tradable corporate debt instruments, purchased, based on acceptable credit fundamentals typically with a medium-term hold strategy where the underlying risk is largely to South African corporates. This is a highly diversified, granular portfolio that is robust and spread across a variety of industries.
- Acquisition Finance: provides debt funding to proven management teams, running small-to-mid cap companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation of the business. This will be based on historic and forecast information. We typically lend on a bilateral basis and benefit from a close relationship with management.
- Asset Based Lending: provides working capital and corporate loans secured to mid caps. These loans are secured by the assets of the business, e.g. the accounts receivable, inventory, plant and machinery.
- Small Ticket Asset Finance: provides highly diversified lending to small and medium-sized corporates to support asset purchases and other business requirements. These facilities are secured against the asset being financed and are a direct obligation of the company.
- Large Ticket Asset Finance: provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure.
- Power and Infrastructure Finance: arranges and provides typically long-term financing for infrastructure assets, in particular renewable power projects and transport against contracted future cash flows of the project(s) from recognised utilities and power companies as well as the balance sheet of the corporate. There is a strong equity contribution from an experienced sponsor.
- Resource Finance: debt arranging and underwriting together with structured hedging solutions mainly within

the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in South Africa. All facilities are secured by the borrower's assets and repaid from mining cash flows.

- Structured Credit: These are bonds secured against a pool of assets. The bonds are mainly investment grade rated, which benefit from a high level of credit subordination and can withstand a significant level of portfolio defaults.
- Treasury Placements: The treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short term (less than one month) money market placements or secured repurchase agreements. These market counterparties are high investment grade-rated entities that occupy dominant and systemic positions in their domestic banking markets.
- Corporate advisory and investment banking activities: Counterparty risk in this area is modest. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.
- Customer trading activities to facilitate client lending: Our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities and equities that are entered to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have a sizeable exposure to foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked to market with daily margin calls to mitigate credit exposure in the event of counterparty default.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 53 and 54.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension schemes and trusts. Wealth & Investment is primarily an agency business with a limited amount of 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.

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. Reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

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

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. Credit risk mitigants can include any collateral item over which the bank has a pledge of security, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

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

An analysis of collateral is provided on page 55.

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

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

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

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

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

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

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

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

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

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

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

Further information on credit derivatives is provided on page 63.

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

For regulatory reporting purposes, exposures may be reduced by eligible collateral. Under the standardised approach credit risk mitigation can be achieved through either funded or unfunded credit protection. Where unfunded credit protection is relied upon for mitigation purposes, the exposure to the borrower 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/or maturity haircuts discussed above.

Please refer to the credit quality step table disclosed on page 88 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 25.

Against this backdrop, core loans and advances grew by 16% to R182.1 billion with residential owner-occupied, private client lending, corporate and public sector portfolios representing the majority of the growth for the financial year in review.

Where we have been facing greater competitive pressure on margins, particularly in the corporate market, we have maintained a conservative lending approach. Our lending appetite is based on a client-centric approach with a strong focus on client cash flows underpinned by tangible collateral.

Default loans (net of impairments) as a percentage of core loans and advances improved slightly from 1.46% to 1.43%.

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

Defaults in the private client and corporate client portfolios increased slightly.

The credit loss ratio improved to 0.28% from 0.42% as we saw stability in the number of new defaulted loans and sufficient collateral available for these transactions.

Lending collateralised by property

The majority of the property assets are commercial investment properties and are located in South Africa. This investment portfolio grew by 7.1% during the year, in line with our risk appetite framework. LTVs remain conservative and transactions are supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

Private client activities

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

Our high-net-worth client portfolio and residential mortgage book grew by 17.2% over the year.

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

Corporate client activities

The overall portfolio continues to perform well and higher levels of activity by mid-to-large corporates have contributed to growth of 19.9% over the year. Major contributors to growth were renewable energy transactions, corporate facilities and public sector lending.

Credit and counterparty risk information

Pages 27 to 39 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 9.2% to R378.8 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 5% to R88.7 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 2015	31 March 2014	% change	Average*
Cash and balances at central banks	6 261	5 927	5.6%	6 094
Loans and advances to banks	35 867	35 169	2.0%	35 518
Non-sovereign and non-bank cash placements	10 540	9 045	16.5%	9 793
Reverse repurchase agreements and cash collateral on securities borrowed	10 734	8 419	27.5%	9 577
Sovereign debt securities	31 378	34 815	(9.9%)	33 097
Bank debt securities	18 215	22 355	(18.5%)	20 285
Other debt securities	9 037	10 112	(10.6%)	9 575
Derivative financial instruments	14 878	11 881	25.2%	13 380
Securities arising from trading activities	1 046	737	41.9%	892
Loans and advances to customers (gross)	175 133	150 601	16.3%	162 867
Own originated loans and advances to customers securitised (gross)	8 069	7 520	7.3%	7 795
Other loans and advances (gross)	490	597	(17.9%)	544
Other securitised assets (gross)	–	157	(100.0%)	79
Other assets	153	595	(74.3%)	374
Total on-balance sheet exposures	321 801	297 930	8.0%	309 866
Guarantees^	12 911	10 826	19.3%	11 869
Contingent liabilities, committed facilities and other	44 135	38 242	15.4%	41 189
Total off-balance sheet exposures	57 046	49 068	16.3%	53 057
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	378 847	346 998	9.2%	362 923

* *Where the average is based on a straight-line average for the period 1 April 2014 to 31 March 2015.*

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

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

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

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2015				
Cash and balances at central banks	6 261	–		6 261
Loans and advances to banks	35 867	–		35 867
Non-sovereign and non-bank cash placements	10 540	–		10 540
Reverse repurchase agreements and cash collateral on securities borrowed	10 734	–		10 734
Sovereign debt securities	31 378	–		31 378
Bank debt securities	18 215	–		18 215
Other debt securities	9 037	–		9 037
Derivative financial instruments	14 878	299	1	15 177
Securities arising from trading activities	1 046	6 432		7 478
Investment portfolio	–	10 079	1	10 079
Loans and advances to customers	175 133	(1 139)	2	173 994
Own originated loans and advances to customers securitised	8 069	(5)	2	8 064
Other loans and advances	490	(18)	2	472
Other securitised assets	–	1 289	3	1 289
Interest in associated undertakings	–	60		60
Deferred taxation assets	–	462		462
Other assets	153	8 814	4	8 967
Property and equipment	–	706		706
Investment properties	–	9 925		9 925
Goodwill	–	101		101
Intangible assets	–	190		190
Non-current assets classified as held for sale	–	732		732
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	113 905		113 905
Total on-balance sheet exposures	321 801	151 832		473 633

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 56 to 58.*
2. *Largely relates to impairments.*
3. *Largely includes cash in the securitised vehicles.*
4. *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

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

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 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 cash 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	1	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 securitised	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 56 to 58.*
2. *Largely relates to impairments.*
3. *While 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 which 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 2015

R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	6 261	–	–	–	–	–	6 261
Loans and advances to banks	34 201	546	184	851	85	–	35 867
Non-sovereign and non-bank cash placements	10 540	–	–	–	–	–	10 540
Reverse repurchase agreements and cash collateral on securities borrowed	6 209	17	1 020	2 134	1 354	–	10 734
Sovereign debt securities	8 724	7 583	4 171	3 043	5 579	2 278	31 378
Bank debt securities	4 109	1 841	1 589	8 342	1 451	883	18 215
Other debt securities	257	201	177	2 836	5 156	410	9 037
Derivative financial instruments	2 008	1 186	1 382	6 789	3 111	402	14 878
Securities arising from trading activities	519	7	–	255	50	215	1 046
Loans and advances to customers (gross)	22 568	5 584	12 010	77 736	19 420	37 815	175 133
Own originated loans and advances to customers securitised (gross)	459	1	5	1 303	418	5 883	8 069
Other loans and advances (gross)	–	–	–	490	–	–	490
Other assets	153	–	–	–	–	–	153
Total on-balance sheet exposures	96 008	16 966	20 538	103 779	36 624	47 886	321 801
Guarantees^	5 461	84	265	4 895	1 932	274	12 911
Contingent liabilities, committed facilities and other	12 811	1 175	3 347	11 675	2 248	12 879	44 135
Total off-balance sheet exposures	18 272	1 259	3 612	16 570	4 180	13 153	57 046
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	114 280	18 225	24 150	120 349	40 804	61 039	378 847

^ *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 2015						
Cash and balances at central banks	–	–	–	–	6 261	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	–	–	–	544
Reverse repurchase agreements and cash collateral on securities borrowed	579	–	–	971	–	71
Sovereign debt securities	–	–	–	–	31 378	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	1 097	–	–
Derivative financial instruments	90	–	10	368	–	178
Securities arising from trading activities	–	–	–	6	270	165
Loans and advances to customers (gross)	75 467	38 031	869	4 794	1 004	6 777
Own originated loans and advances to customers securitised (gross)	8 069	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total on-balance sheet exposures	84 205	38 031	879	7 236	38 913	7 735
Guarantees^	3 789	1 501	–	565	1 333	109
Contingent liabilities, committed facilities and other	26 827	5 389	464	2 243	213	656
Total off-balance sheet exposures	30 616	6 890	464	2 808	1 546	765
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	114 821	44 921	1 343	10 044	40 459	8 500
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 securitised (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

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

Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	–	6 261
35 867	–	–	–	–	–	–	–	–	–	35 867
3 527	1 769	2 189	350	–	–	479	–	1 209	473	10 540
8 160	–	865	–	–	–	–	–	88	–	10 734
–	–	–	–	–	–	–	–	–	–	31 378
18 215	–	–	–	–	–	–	–	–	–	18 215
2 500	1	–	–	–	–	2 268	–	956	2 215	9 037
12 469	126	575	2	711	–	276	15	40	18	14 878
327	–	165	–	–	–	26	–	87	–	1 046
8 602	2 140	9 505	2 749	6 441	–	4 010	1 605	7 088	6 051	175 133
–	–	–	–	–	–	–	–	–	–	8 069
–	–	–	–	–	490	–	–	–	–	490
153	–	–	–	–	–	–	–	–	–	153
89 820	4 036	13 299	3 101	7 152	490	7 059	1 620	9 468	8 757	321 801
2 282	800	843	–	1	–	1 640	–	16	32	12 911
2 991	364	392	170	263	–	1 800	65	1 553	745	44 135
5 273	1 164	1 235	170	264	–	3 440	65	1 569	777	57 046
95 093	5 200	14 534	3 271	7 416	490	10 499	1 685	11 037	9 534	378 847
–	–	–	–	–	–	–	–	–	–	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	7 363	597	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	7 476	597	11 557	1 692	9 007	6 564	346 998

Private client loans account for 66.4% 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 34, and a more detailed analysis of the private client loan portfolio is provided on pages 53 and 54.

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 pages 34 and 35 and a more detailed analysis of the corporate client loan portfolio is provided on pages 53 and 54.

At 31 March R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	2015	2014	2015	2014	2015	2014
HNW and professional individuals	83 536	71 242	31 285	26 070	114 821	97 312
Lending collateralised by property – largely to private clients	38 031	35 515	6 890	7 464	44 921	42 979
Agriculture	869	823	474	597	1 343	1 420
Electricity, gas and water (utility services)	4 794	3 119	5 250	3 464	10 044	6 583
Public and non-business services	1 004	918	39 455	42 463	40 459	43 381
Business services	6 777	5 173	1 723	1 182	8 500	6 355
Finance and insurance	8 602	4 978	86 491	84 536	95 093	89 514
Retailers and wholesalers	2 140	2 921	3 060	4 026	5 200	6 947
Manufacturing and commerce	9 505	8 468	5 029	4 427	14 534	12 895
Construction	2 749	2 443	522	276	3 271	2 719
Corporate commercial real estate	6 441	6 756	975	720	7 416	7 476
Other residential mortgages	–	–	490	597	490	597
Mining and resources	4 010	5 123	6 489	6 434	10 499	11 557
Leisure, entertainment and tourism	1 605	799	80	893	1 685	1 692
Transport	7 088	4 801	3 949	4 206	11 037	9 007
Communication	6 051	5 042	3 483	1 522	9 534	6 564
Total	183 202	158 121	195 645	188 877	378 847	346 998

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	2015	2014
Loans and advances to customers as per the balance sheet	173 994	149 354
Add: own originated loans and advances securitised as per the balance sheet	8 064	7 516
Net core loans and advances to customers	182 058	156 870

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 39.

R'million	31 March 2015	31 March 2014
Gross core loans and advances to customers	183 202	158 121
Total impairments	(1 144)	(1 251)
Specific impairments	(972)	(1 077)
Portfolio impairments	(172)	(174)
Net core loans and advances to customers	182 058	156 870
Average gross core loans and advances to customers	170 662	150 669
Current loans and advances to customers	178 265	153 166
Past due loans and advances to customers (1 – 60 days)	528	746
Special mention loans and advances to customers	666	668
Default loans and advances to customers	3 743	3 541
Gross core loans and advances to customers	183 202	158 121
Current loans and advances to customers	178 265	153 166
Default loans that are current and not impaired	787	162
Gross core loans and advances to customers that are past due but not impaired	1 756	2 211
Gross core loans and advances to customers that are impaired	2 394	2 582
Gross core loans and advances to customers	183 202	158 121
Total income statement charge for impairments on core loans and advances	(483)	(636)
Gross default loans and advances to customers	3 743	3 541
Specific impairments	(972)	(1 077)
Portfolio impairments	(172)	(174)
Defaults net of impairments	2 599	2 290
Aggregate collateral and other credit enhancements on defaults	3 732	3 549
Net default loans and advances to customers (limited to zero)	–	–
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.62%	0.79%
Total impairments as a % of gross default loans	30.56%	35.33%
Gross defaults as a % of gross core loans and advances to customers	2.04%	2.24%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.43%	1.46%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.28%	0.42%

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

At 31 March R'million	2015	2014
Default loans that are current	1 533	784
1 – 60 days	1 473	1 161
61 – 90 days	145	241
91 – 180 days	255	457
181 – 365 days	200	585
> 365 days	1 331	1 727
Past due and default core loans and advances to customers (actual capital exposure)	4 937	4 955
1 – 60 days	543	235
61 – 90 days	37	29
91 – 180 days	130	106
181 – 365 days	147	470
> 365 days	963	1 425
Past due and default core loans and advances to customers (actual amount in arrears)	1 820	2 265

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 2015							
Watchlist loans neither past due nor impaired							
Total capital exposure	787	–	–	–	–	–	787
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 055	105	175	132	289	1 756
Amount in arrears	–	390	32	108	94	172	796
Gross core loans and advances to customers that are impaired							
Total capital exposure	746	418	40	80	68	1 042	2 394
Amount in arrears	–	153	5	22	53	791	1 024
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

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

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	528	–	–	–	–	528
Special mention	–	492	77	19	34	44	666
Special mention (1 – 90 days)	–	492	2	19*	34*	44*	591
Special mention (61 – 90 days and item well secured)	–	–	75	–	–	–	75
Default	1 533	453	68	236	166	1 287	3 743
Sub-standard	787	36	28	157	98	246	1 352
Doubtful	746	417	40	79	68	1 041	2 391
Total	1 533	1 473	145	255	200	1 331	4 937

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

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	49	–	–	–	–	49
Special mention	–	340	20	6	26	27	419
Special mention (1 – 90 days)	–	340	–	6*	26*	27*	399
Special mention (61 – 90 days and item well secured)	–	–	20	–	–	–	20
Default	–	154	17	124	121	936	1 352
Sub-standard	–	1	12	102	68	146	329
Doubtful	–	153	5	22	53	790	1 023
Total	–	543	37	130	147	963	1 820

* *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 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 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 2015								
Current core loans and advances	178 265	–	–	178 265	–	(161)	178 104	–
Past due (1 – 60 days)	–	528	–	528	–	(3)	525	49
Special mention	–	666	–	666	–	(8)	658	419
Special mention (1 – 90 days)	–	591	–	591	–	(7)	584	399
Special mention (61 – 90 days and item well secured)	–	75	–	75	–	(1)	74	20
Default	787	562	2 394	3 743	(972)	–	2 771	1 352
Sub-standard	787	562	3	1 352	–	–	1 352	329
Doubtful	–	–	2 391	2 391	(972)	–	1 419	1 023
Total	179 052	1 756	2 394	183 202	(972)	(172)	182 058	1 820
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

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

R'million	Private client, professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 31 March 2015						
Current core loans and advances	117 643	47 598	8 602	933	3 489	178 265
Past due (1 – 60 days)	476	–	–	–	52	528
Special mention	639	24	–	–	3	666
Special mention (1 – 90 days)	567	24	–	–	–	591
Special mention (61 – 90 days and item well secured)	72	–	–	–	3	75
Default	2 809	692	–	71	171	3 743
Sub-standard	1 285	64	–	–	3	1 352
Doubtful	1 524	628	–	71	168	2 391
Total gross core loans and advances to customers	121 567	48 314	8 602	1 004	3 715	183 202
Total impairments	(655)	(363)	(4)	(7)	(115)	(1 144)
Specific impairments	(521)	(330)	-	(6)	(115)	(972)
Portfolio impairments	(134)	(33)	(4)	(1)	-	(172)
Net core loans and advances to customers	120 912	47 951	8 598	997	3 600	182 058
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

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	38 031	1 311	1 303	(430)	(179)
Commercial real estate	34 921	651	741	(251)	(144)
Commercial real estate – investment	31 027	276	443	(93)	(38)
Commercial real estate – development	2 372	72	76	(7)	(4)
Commercial vacant land and planning	1 522	303	222	(151)	(102)
Residential real estate	3 110	660	562	(179)	(35)
Residential real estate – development	1 590	346	333	(52)	(1)
Residential vacant land and planning	1 520	314	229	(127)	(34)
High-net-worth and other private client lending	83 536	1 498	1 912	(225)	(30)
Mortgages	49 687	462	754	(74)	(7)
High-net-worth and specialised lending	33 849	1 036	1 158	(151)	(23)
Corporate and other lending	61 635	934	517	(489)	(274)
Acquisition finance	16 303	481	313	(198)	(186)
Asset-based lending	3 717	170	117	(115)	(36)
Other corporate and financial institutions and governments	31 067	265	86	(127)	(56)
Asset finance	4 434	–	1	(31)	(21)
Small ticket asset finance	1 228	–	1	1	(16)
Large ticket asset finance	3 206	–	–	(32)	(5)
Project finance	5 597	18	–	(18)	25
Resource finance	517	–	–	–	–
Total	183 202	3 743	3 732	(1 144)	(483)

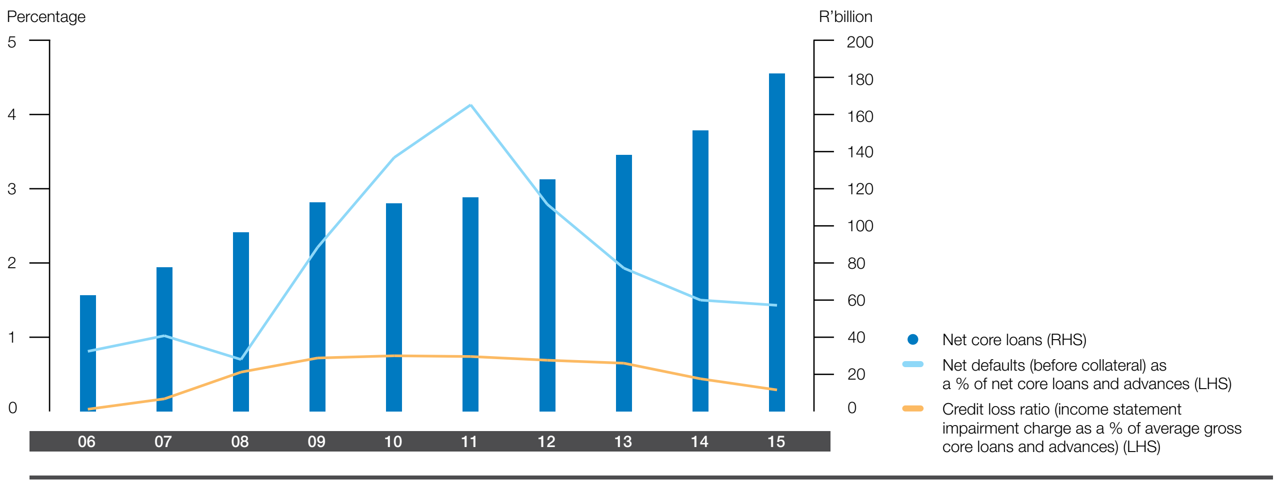
^ *Where a positive number represents a recovery.*

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	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 real estate – 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)
Acquisition finance	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)

^ *Where a positive number represents a recovery.*

Asset quality trends



Collateral

A summary of total collateral is provided in the table below

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2015			
Eligible financial collateral	34 400	31 522	65 922
Listed shares	31 509	18 885	50 394
Cash	713	8 242	8 955
Debt securities issued by sovereigns	2 178	4 395	6 573
Property charge	226 266	760	227 026
Residential property	115 018	666	115 684
Commercial property developments	7 245	94	7 339
Commercial property investments	104 003	–	104 003
Other collateral	51 727	494	52 221
Unlisted shares	8 155	–	8 155
Charges other than property	9 464	–	9 464
Debtors, stock and other corporate assets	3 796	–	3 796
Guarantees	13 355	15	13 370
Other	16 957	479	17 436
Total collateral	312 393	32 776	345 169
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
Property charge	211 125	631	211 756
Residential property	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
Charges other than property	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

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

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.

Management of equity and investment risk

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

Nature of 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

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

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 129 and 130 and pages 153 to 162 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 153 for further information.

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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
2015					
Unlisted investments	541	456	348	1 345	–
Listed equities	56	(21)	94	129	(6)
Investment and trading properties^	(34)	346	–	312	–
Warrants, profit shares and other embedded derivatives	(107)	318	–	211	–
Total	456	1 099	442	1 997	(6)
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

^ *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 33.1% (2014: 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 2015	Valuation change stress test 2015*	On-balance sheet value of investments 2014	Valuation change stress test 2014*
Unlisted investments**	9 386	1 408	8 563	1 285
Listed equities	1 425	356	825	206
Investment and trading properties^^	6 450	807	6 615	829
Warrants, profit shares and other embedded derivatives	299	104	417	146
Total	17 560	2 675	16 420	2 466

** *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 33.1% in 2015 and 44.3% in 2014.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress-testing parameters are applied:*

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

Additional information

An analysis of the principal investment portfolio by industry of exposure

Stress testing summary

Based on the information at 31 March 2015, as reflected on page 57, we could have a R2.7 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period.

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 83 for further detail.

Securitisation/structured credit activities exposures

Overview

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

Refer to page 41 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 2015 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 15 years ago. Over this time, we have arranged a number of residential and commercial mortgage-backed programmes, asset-backed commercial paper conduits (ABCP), and third party securitisations.

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

Furthermore, we are sponsor to and provide a standby liquidity facility to Private Mortgages 1. This facility, which totalled R0.2 billion at 31 March 2015 (31 March 2014: R1.3 billion), has not been drawn on and is reflected as off-balance sheet contingent exposures in terms of our credit analysis.

Refer to pages 59 and 60.

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

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been rated instruments within the UK and Europe, totalling R1.4 billion at 31 March 2015 (31 March 2014: R3.5 billion). We sold a number of these investments during the year. These investments are risk weighted for regulatory capital purposes.

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

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

Total assets that have been originated and securitised by the Private Client division amount to R8.1 billion at 31 March 2015 (31 March 2014: R7.5 billion) and consist of residential mortgages (R8.1 billion). Within these securitisation vehicle loans greater than 90 days in arrears amounted to R24.1 million.

Private Residential Mortgages (PRM) Limited – Series 2 (PRM2) was refinanced internally for R3.46 billion in June 2014. During the year we arranged two new Investec Private Client originated residential mortgage securitisation transactions, namely, Fox Street 3 (RF) Limited (FS3 for R1.95 billion), and Fox Street 4 (RF) Limited (FS4 for R3.73 billion). These two RMBS transactions were structured as amortising transactions and the notes are held internally by Investec in order to make use of the SARB's committed liquidity facility (CLF). FS1 to FS4 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 for these Fox Street structures, the special purpose entity has an internal liquidity reserve that has been funded. Credit mitigants have not been used in these transactions. An exemption notice in terms of securitisation rules has been applied for in relation to 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 130.

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 27.

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 2015 R'million	Exposure 2014 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	1 576	3 813	Other debt securities and other loans and advances	
Rated	1 420	3 520		
Unrated	156	293		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised)	472	552	Other loans and advances	
Private Client division assets which have been securitised	8 064	7 516	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 47.
Liquidity facilities provided to third party corporate securitisation vehicles	200	1 305	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 structured credit**

At 31 March R'million	2015			2014		
	Rated**	Unrated	Total	Rated**	Unrated	Total
US corporate loans	35	–	35	32	11	43
UK and European RMBS	1 251	–	1 251	2 891	–	2 891
UK and European CMBS	–	–	–	1	–	1
UK and European corporate loans	–	156	156	–	282	282
Australian RMBS	134	–	134	365	–	365
South African RMBS	–	–	–	74	–	74
South African CMBS	–	–	–	157	–	157
Total	1 420	156	1 576	3 520	293	3 813

** *Analysed further on page 60.*

****Further analysis of rated structured credit at 31 March 2015**

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	35	–	–	–	35
UK and European RMBS	–	323	482	268	178	–	–	1 251
Australian RMBS	–	134	–	–	–	–	–	134
Total at 31 March 2015	–	457	482	303	178	–	–	1 420
Total at 31 March 2014	–	989	869	1 394	268	–	–	3 520

Market risk in the trading book

Traded market risk description

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

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

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 and for the aggregate risk of the trading book.

These reports are distributed to management and traders. There is a formal process for management recognition and authorisation for any risk excesses incurred. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Valuation models for new instruments or products are independently validated by Market Risk Management before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

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

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

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

All VaR models, while forward looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'backtesting breach' is considered to have occurred. Over time we expect the average rate of observed backtesting breaches to be consistent with the percentile of the VaR statistic being tested.

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

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

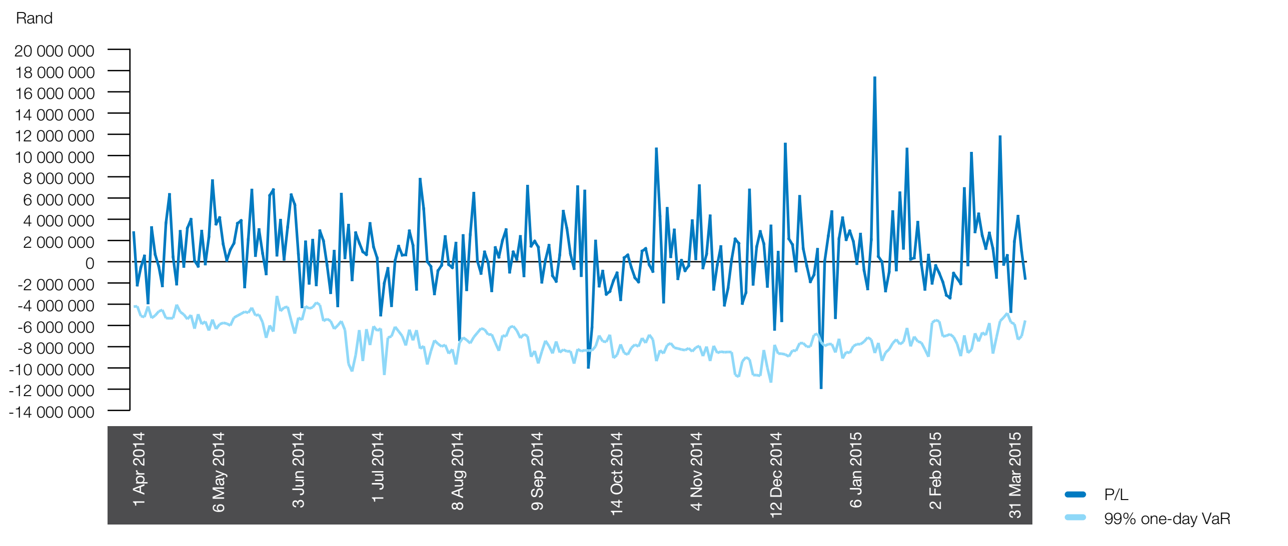
VaR

	31 March 2015				31 March 2014			
R'million	Year end	Average	High	Low	Year end	Average	High	Low
95% (one-day)								
Commodities	–	0.1	0.5	–	0.5	0.1	0.5	–
Equities	1.7	2.7	6.7	0.7	1.7	4.3	8.9	0.5
Foreign exchange	3.0	3.1	5.9	1.1	1.9	2.5	7.2	1.1
Interest rates	2.7	1.6	3.5	0.9	1.3	2.2	6.0	0.7
Consolidated*	3.5	4.4	7.7	1.7	2.8	5.3	9.3	1.7

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

VaR for 2015 in the South African trading book was marginally higher than 2014. Using hypothetical (clean) profit and loss data for backtesting resulted in two exceptions (as shown in the graph below), which is in line with the two to three exceptions that a 99% VaR implies. The exceptions were due to normal trading losses.

99% one-day VaR backtesting



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ETL – 95/(one day)

For the year to 31 March R'million	2015	2014
Commodities	–	0.5
Equities	2.5	2.7
Foreign exchange	4.4	2.7
Interest rates	3.8	1.9
Consolidated**	5.1	4.0

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

Stress testing

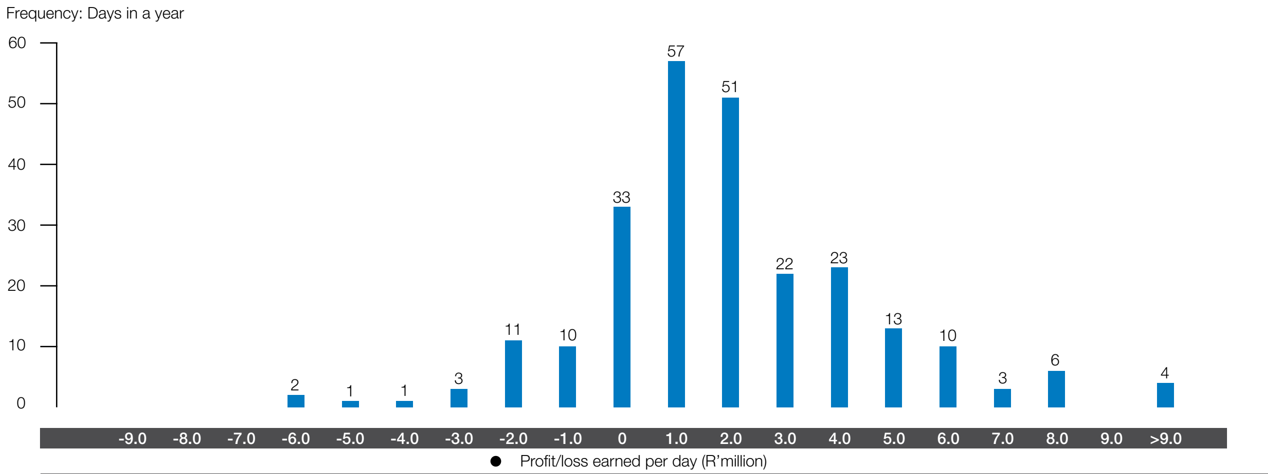
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers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

	31 March 2015				31 March 2014
R'million	Year end	Average	High	Low	Year end
99% (using 99% EVT)					
Commodities	0.1	0.4	4.0	–	1.6
Equities	9.6	11.3	21.9	4.6	6.8
Foreign exchange	16.2	10.7	26.6	4.7	12.9
Interest rates	7.7	9.1	19.4	4.0	6.6
Consolidated	13.5	14.8	26.2	8.6	16.0

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 189 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year to 31 March 2015 was R1.5 million (2014: R1.4 million).

Profit and loss



Traded market risk mitigation

The Market Risk Management team has a reporting line that is separate from the trading function, thereby ensuring independent oversight. The risk management software 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 a sample period. With the equity markets, e.g. the price history for every share and index is taken into account as opposed to techniques where a reduced set of proxies are used.

Non-statistical limits include limits on risk exposure to individual products, transaction tenors, notionals, 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

Trading conditions have remained difficult. Traders have had to contend with very uncertain markets as well as declining market liquidity. While client flow has been under pressure, Investec remains committed to trading on client flow and not proprietary trading. The equity derivatives business has continued to grow both their product offering and the diversity of their client base. Currency markets have generally been illiquid and volatile. Corporate foreign exchange volumes are up leading to increased revenue, however, profit margins have tightened. The trend of low discretionary risk taking in local rates continued in the past year. Little uncertainty and stable interest rates in the local rate environment have not encouraged corporate hedging activity.

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 165.

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

Balance sheet risk management

Balance sheet risk description

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

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 intergroup lines either from or to other group entities.

Geographic entities have no responsibility for contributing to group liquidity.

The ALCOs typically comprise the group risk and finance director, the head of risk, the head of Corporate and Institutional Banking activities and Private banking, economists, divisional heads, the Balance Sheet Risk Management team, the treasurer and business heads. 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 prudential management and a flexible response to volatile market conditions. The Central Treasury functions are the sole interface to the wholesale market for both cash and derivative transactions.

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

The Balance Sheet Risk Management teams, in their respective geographies based within Group Risk Management, independently identify, quantify and monitor risks, providing daily independent governance and oversight of the treasury activities and the execution of the bank's policy, continuously assessing the risks while taking changes in market conditions into account. In carrying out its duties the Balance Sheet Risk Management teams monitor historical liquidity trends, track prospective on- and off-balance sheet liquidity obligations, identify and measure internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting, and further perform scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The Balance Sheet Risk Management teams proactively identify proposed regulatory development, best risk practice, and measures adopted in the broader market, and implement 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 the final consultation paper for the NSFR was published in October 2014.

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

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

The group 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, GRCC, 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 200bps 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 non-trading interest rate risk 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
- Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and ALCO
- It is the responsibility of the liability product and pricing forum, a sub-committee of ALCO, to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary
- Pricing for all deposit products (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 net present value (NPV) sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent 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:

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically based yield curve changes.

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

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

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 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 additional consultation documents in the next year on minimum standards for interest rate risk measurement in the banking book.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2015. 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	32 494	42	–	33	–	6 188	38 757
Cash and short-term funds – non-banks	10 535	5	–	–	–	–	10 540
Investment/trading assets and statutory liquids	21 938	11 532	5 497	11 863	10 858	27 704	89 392
Securitised assets	9 215	–	–	–	–	138	9 353
Advances	154 163	6 092	798	8 596	3 755	803	174 207
Other assets	1 284	–	–	–	–	8 862	10 146
Assets	229 629	17 671	6 295	20 492	14 613	43 695	332 395
Deposits – banks	(30 536)	–	(14)	–	–	(12)	(30 562)
Deposits – non-banks	(184 533)	(11 197)	(11 363)	(10 572)	(2 195)	(1 216)	(221 076)
Negotiable paper	(4 835)	(110)	(617)	(3 864)	–	–	(9 426)
Securitised liabilities	(570)	–	–	–	(625)	(781)	(1 976)
Investment/trading liabilities	(9 504)	(678)	(3 194)	(1 076)	(233)	(11 026)	(25 711)
Subordinated liabilities	(7 659)	–	–	(200)	(2 590)	–	(10 449)
Other liabilities	(3)	–	–	–	–	(9 029)	(9 032)
Liabilities	(237 640)	(11 985)	(15 188)	(15 712)	(5 643)	(22 064)	(308 232)
Intercompany loans	14 130	(457)	(939)	1 277	(42)	2 188	16 157
Shareholders' funds	(3 274)	–	–	(408)	(1 421)	(30 423)	(35 526)
Balance sheet	2 845	5 229	(9 832)	5 649	7 507	(6 604)	4 794
Off-balance sheet	12 468	(2 828)	2 150	(8 845)	(7 613)	(126)	(4 794)
Repricing gap	15 313	2 401	(7 682)	(3 196)	(106)	(6 730)	–
Cumulative repricing gap	15 313	17 714	10 032	6 836	6 730	–	

Economic value sensitivity at 31 March 2015

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

	Sensitivity to the following interest rates (expressed in original currencies)						
’million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	(123.4)	9.2	9.4	(0.8)	(2.8)	2.8	(122.6)
200bps up	148.0	(8.2)	(6.1)	0.7	1.2	(2.5)	(55.1)

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 while taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital, thus maintaining an appropriate mix of structural and term funding, resulting in strong balance sheet liquidity ratios.

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

- Local regulatory requirements
- Contractual run-off based actual cash flows with no modelling adjustment
- 'Business as usual' normal environment where we apply rollover and reinvestment assumptions under benign market conditions
- 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 to support loan growth.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. 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 8% to R221.4 billion at 31 March 2015. The growth in retail deposits benefited from the wider macro-economic trend of expanded money supply, customer deleveraging and 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 for Investec Limited, 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.

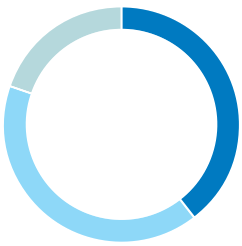
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors 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 2014 to 31 March 2015 average cash and near cash balances over the period amounted to R86.3 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.

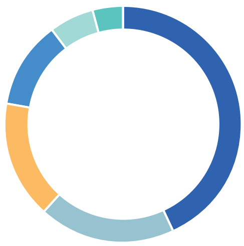
An analysis of cash and near cash at 31 March 2015



R88 691 million

Cash	39.5%
Central Bank cash placements and guaranteed liquidity	40.8%
Near cash (other 'monetisable' assets)	19.7%

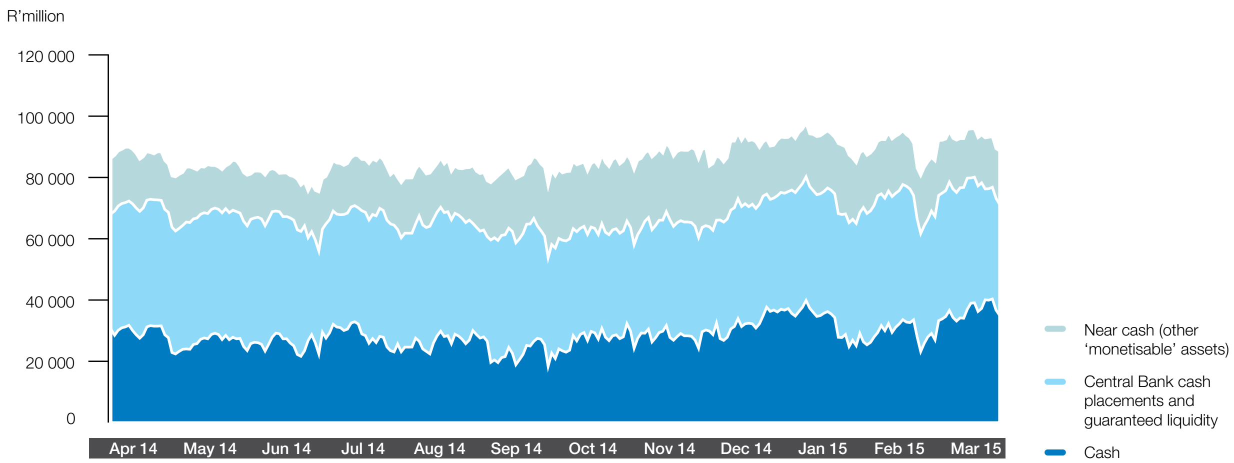
Bank and non-bank depositor concentration by type at 31 March 2015



R251 939 million

Other financials	43.1%
Non-financial corporates	18.8%
Individuals	15.9%
Banks	12.1%
Public sector	6.1%
Small business	4.0%

Cash and near cash trend



The liquidity position of the bank remained sound with total cash and near cash balances amounting to R88.7 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 monitors and manages 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.

The group utilises securitisation in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the group, which are available to provide a pool of collateral eligible to support central bank liquidity facilities. During the year the group issued R5.7 billion of notes through securitisations in South Africa.

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 163 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.

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 R88.7 billion. We continued to enjoy strong inflows of customer deposits while maintaining good access to wholesale markets despite the underlying market environment. Our liquidity and funding profile reflects our strategy, risk appetite and business activities.

The 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 against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities. We have:
  - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
  - set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and
  - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

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

Contractual liquidity at 31 March 2015

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks*	31 480	7 492	1 912	168	182	894	–	42 128
Cash and short-term funds – non-banks	10 465	32	38	5	–	–	–	10 540
Investment/trading assets and statutory liquids**	34 409	13 261	1 893	2 107	4 006	27 850	29 289	112 815
Securitised assets	1 743	19	66	116	197	1 028	6 184	9 353
Advances	5 628	5 393	10 353	11 725	14 359	79 975	47 033	174 466
Other assets	2 893	3 399	293	256	–	1 881	1 704	10 426
Assets	86 618	29 596	14 555	14 377	18 744	111 628	84 210	359 728
Deposits – banks	(3 253)	(440)	(717)	–	(12 031)	(14 121)	–	(30 562)
Deposits – non-banks	(87 975)^	(27 947)	(38 728)	(15 532)	(19 546)	(28 785)	(2 864)	(221 377)
Negotiable paper	–	(1 686)	(229)	(346)	(1 318)	(5 833)	(14)	(9 426)
Securitised liabilities	–	–	–	–	–	(594)	(1 382)	(1 976)
Investment/trading liabilities	(5 507)	(13 035)	(2 669)	(2 974)	(7 087)	(7 813)	(1 252)	(40 337)
Subordinated liabilities	–	–	(125)	–	(781)	(400)	(9 143)	(10 449)
Other liabilities	(1 642)	(900)	(678)	(315)	(884)	(459)	(5 197)	(10 075)
Liabilities	(98 377)	(44 008)	(43 146)	(19 167)	(41 647)	(58 005)	(19 852)	(324 202)
Shareholders' funds	–	–	–	–	–	–	(35 526)	(35 526)
Contractual liquidity gap	(11 759)	(14 412)	(28 591)	(4 790)	(22 903)	53 623	28 832	–
Cumulative liquidity gap	(11 759)	(26 171)	(54 762)	(59 552)	(82 455)	(28 832)	–	

^ *Includes call deposits of R59 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Contractual profile of 'cash and near cash' asset class

As discussed on page 70.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
* Cash and short-term funds – banks	25 332	7 492	1 912	168	182	894	6 148	42 128
**Investment/trading assets and statutory liquids	(707)	14 449	11 461	12 176	8 816	29 298	37 323	112 816

Behavioural liquidity

As discussed on pages 70 and 71.

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	36 808	(779)	(1 889)	(1 706)	(25 189)	(74 089)	66 844	–
Cumulative	36 808	36 029	34 140	32 434	7 245	(66 844)	–	

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 while focusing on lowering the weighted average cost of funding
- Our liquidity risk management process remains robust and comprehensive.

The past financial year was marked by a continual increase in the cost of funds to local banks including Investec. The banking industry as a result witnessed some compression in interest rate margins. The rise in the cost of funds was driven by increased competition for deposits ahead of the implementation of new liquidity regulations introduced by the Bank of International Settlements. The LCR had to be met by banks from 1 January 2015 at minimum compliance rate of 60% moving to 100% by 2019. This has led to increased demand for so-called Basel III friendly deposits (retail and longer dated wholesale deposits) by South African banks. This adjustment in the liability structure could raise the cost of borrowing which may ultimately be passed on to borrowers.

Investec grew its total customer deposits by 8% from R204.9 billion to R221.4 billion at 31 March 2015. Our Private Bank's deposit raising channels grew by 17.5% to R89.8 billion over the financial year; whereas wholesale deposit growth was muted. The bankruptcy of African Bank resulted in a loss of some cash from Money Market Funds as they met requests for redemptions. This was countered by both private individuals and corporates entering the banking system directly. Our liquidity was further boosted by several successful medium-term senior unsecured bonds issued totalling R4 billion. Investec ended the financial year with the three-month average of its LCR at 100.3%, which is well ahead of the minimum level required.

Three and five year dollars amounting to US$532 million were raised in several club, bilateral and structured loan deals over the course of the year as the cost of term dollars fell to levels last witnessed over five years ago. In a world of negative rates, plentiful liquidity and quantitative easing we expect this trend to continue.

Cash and near cash balances grew by R4.2 billion to R88.7 billion at 31 March 2015. The bank's overall liquidity position is sound going into 2016.

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 final consultation document on the NSFR in October 2014 with a number of changes. The main changes to the NSFR were to introduce a bucket to recognise financial deposits greater than six months in sources of available stable funding, recalibrate run-off factors for performing loans less than one year, and revise treatment of both derivative and repo transactions. The NSFR ratio will be introduced in 2018.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks while 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. Investec already exceeds minimum requirements of these standards. We continue to reshape our liquidity and funding profile where necessary, as we approach the compliance timeline.

South Africa is a member of the G20 and 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.

Investec Bank Limited (solo) already exceeds the minimum 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.

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

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.

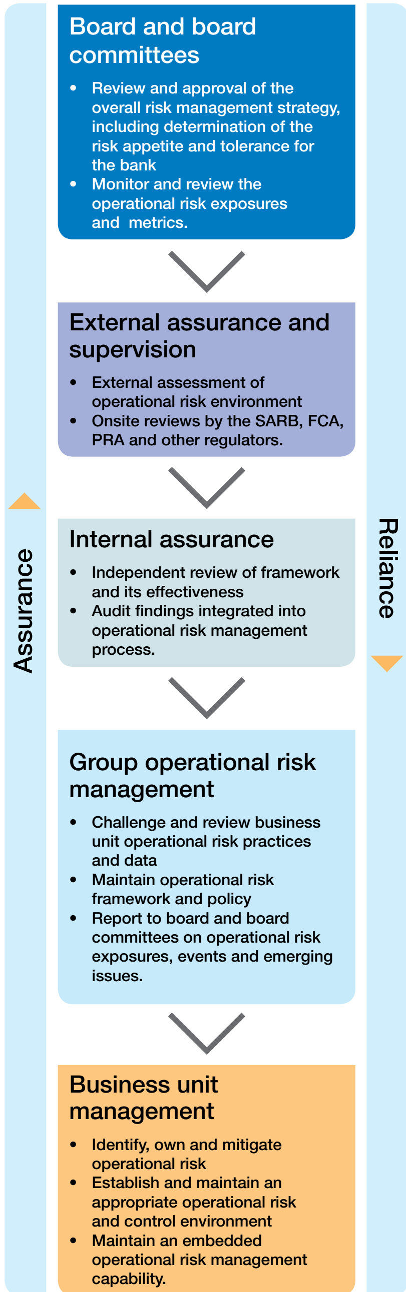
During the year under review, enhancement of all the components of the operational risk management framework remained an area of focus.

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.

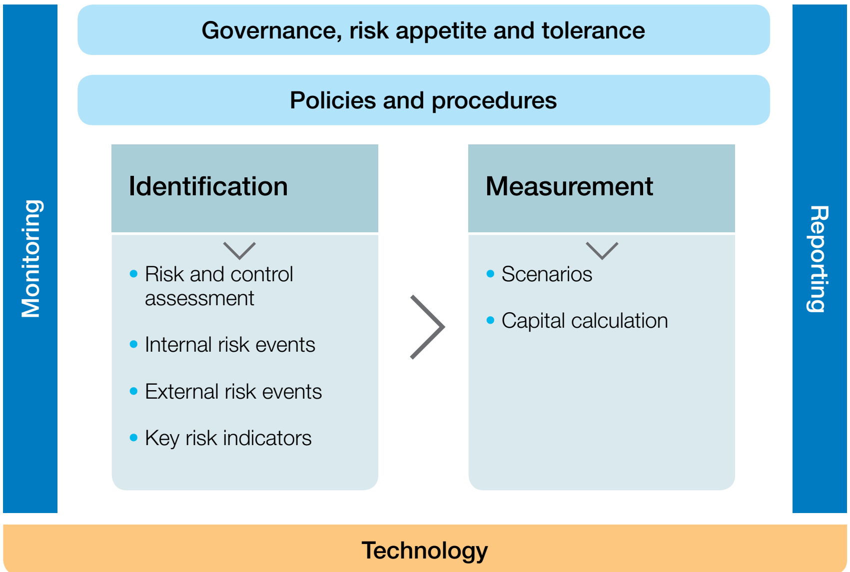
An independent group operational risk management function, mandated by the board risk and capital committee, ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the bank. Business unit management, supported by operational risk managers (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:



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 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 2015/16
Financial crime		
Risk associated with money laundering, terrorist financing, bribery, fraud and tax evasion	• Proactive strategy which includes business-wide and customer risk assessments • Development of policies which comply with regulations and industry guidance • Monitoring the adequacy and effectiveness of financial crime controls and reporting to governance bodies, e.g. audit committee • Training all staff with enhanced bespoke training delivered to staff in higher risk functions • Frequent delivery of management information focused on key risk indicators • 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 training internally including the use of e-learning platforms • Development of a money laundering, counter-terrorist financing, bribery and sanctions compliance risk appetite statement • Enhance money-laundering transaction monitoring capabilities and bespoke training for staff in key risk functions.
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.	• Ensure appropriate controls are in place to manage cyber threats, including the sharing of information with peers, law enforcement and industry bodies • 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.	• Enhancing resilience of our technical infrastructure and our process to IT failures or service interruptions • 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.

We continue to build and enhance our infrastructure to manage the electricity supply crisis in South Africa. We remain active participants with all industry bodies to ensure we are abreast of industry views and concerns.

Recovery and resolution planning

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The SARB has adopted this requirement and has to date required South African domestically significant banking institutions to develop recovery plans.

Guidance issued by the Financial Stability Board and the SARB has been incorporated into Investec's recovery plan.

The SARB has focused on finalising the recovery plans for the local banks. It is expected that the SARB will issue guidance on resolution planning in the near future. We will then look to integrate our existing recovery plan into the SARB's resolution planning.

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

The recovery plan for Investec Limited:

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

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 into.

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

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

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

The legal risk policy is implemented through:

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

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

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

Conduct risk

The South African financial sector regulatory landscape has been under review for the last few years. A new regulatory structure is developing, and existing legislation is also being amended. 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. They operate under different regulatory capital regimes, and therefore 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

Current regulatory framework

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

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

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

Various subsidiaries of Investec 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 individual groups continue to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10% by March 2016, a tier 1 capital ratio of above 11% by March 2016 (current 10.5% target) 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, prepared and planned for. To allow the committee to carry out this function, the group's Regulatory and Capital Management teams closely monitor regulatory developments and regularly present to the committee on the latest developments and proposals. As part of any assessment, the committee is provided with analysis setting out the group's capital adequacy position, taking into account the most up to date interpretation of the rule changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Management of leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest SARB regulations. The leverage ratio is a non-risk-based measure intended to prevent excessive build up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2018. Following guidance from the SARB, Investec applies the rules as outlined in the most recent BCBS publication.

Leverage ratio target

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

Capital management

Philosophy and approach

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

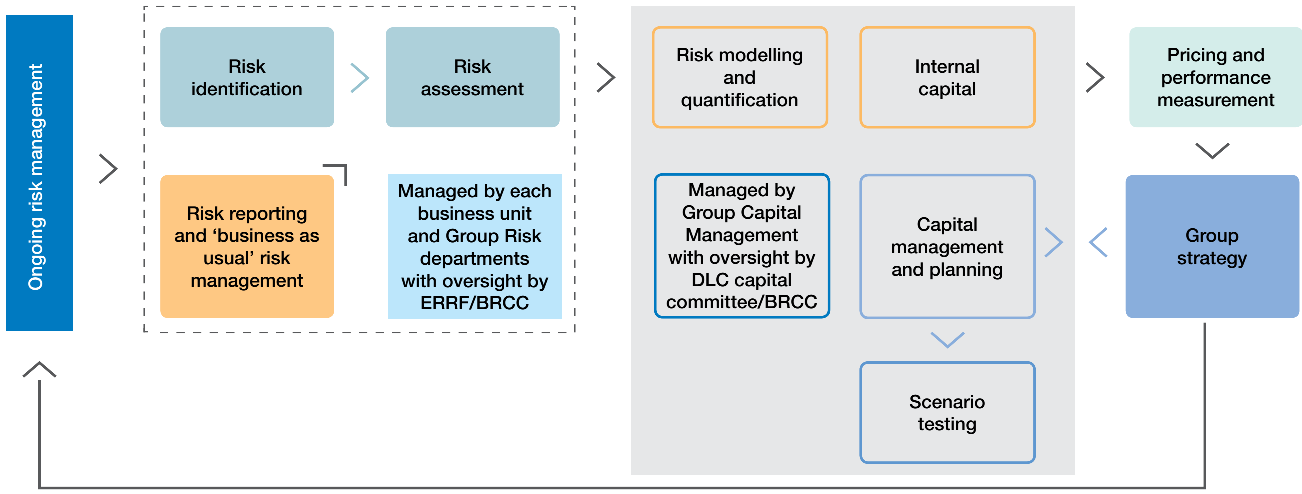
The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- 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, GRCC and BRCC.

Risk modelling and quantification (internal capital)

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

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

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

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

Capital planning and stress/scenario testing

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

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

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

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

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

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

Pricing and performance measurement

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

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

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions at both a group and 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 common equity tier 1, tier 1 and tier 2 capital as follows:

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

Capital disclosures

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

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 178 to 182.

At 31 March 2015	Investec Limited* R'million	IBL* R'million
Tier 1 capital		
Shareholders' equity	24 988	27 365
Shareholders' equity per balance sheet	28 811	28 899
Perpetual preference share capital and share premium	(3 183)	(1 534)
Equity holding in deconsolidated entities	(640)	–
Non-controlling interests	–	–
Non-controlling interests per balance sheet	4 631	–
Non-controlling interests excluded for regulatory purposes	(4 631)	–
Regulatory adjustments to the accounting basis	1 134	1 140
Cash flow hedging reserve	1 134	1 140
Deductions	(291)	(190)
Goodwill and intangible assets net of deferred tax	(291)	(190)
Common equity tier 1 capital	25 831	28 315
Additional tier 1 capital	4 584	1 073
Additional tier 1 instruments	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	(1 415)	(461)
Non-qualifying surplus capital attributable to non-controlling interests	(61)	–
Non-controlling interest in non-banking entities	793	–
Tier 1 capital	30 415	29 388
Tier 2 capital	9 213	10 319
Collective impairment allowances	169	169
Tier 2 instruments	10 449	10 449
Phase out of non-qualifying tier 2 instruments	(299)	(299)
Non-qualifying surplus capital attributable to non-controlling interests	(1 106)	–
Total regulatory capital	39 628	39 707
Risk-weighted assets	269 466	257 931
Capital ratios		
Common equity tier 1 ratio	9.6%	11.0%
Tier 1 ratio	11.3%	11.4%
Total capital adequacy ratio	14.7%	15.4%

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

Capital structure and capital adequacy (continued)

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 adequacy ratio	14.9%	15.3%

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

Capital requirements

At 31 March 2015	Investec Limited* R'million	IBL* R'million
Capital requirements	26 946	25 794
Credit risk – prescribed standardised exposure classes	19 826	19 073
Corporates	12 167	11 505
Secured on real estate property	1 923	1 923
Short-term claims on institutions and corporates	3 308	3 242
Retail	549	549
Institutions	872	872
Other exposure classes	302	277
Securitisation exposures	705	705
Equity risk	3 834	4 297
Listed equities	332	847
Unlisted equities	3 502	3 450
Counterparty credit risk	576	576
Credit valuation adjustment risk	32	32
Market risk	342	324
Interest rate	88	88
Foreign exchange	113	113
Commodities	10	10
Equities	131	113
Operational risk – standardised approach	2 336	1 492
At 31 March 2014		
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	3 325	3 865
Listed equities	217	757
Unlisted equities	3 108	3 108
Counterparty credit risk	550	550
Credit valuation adjustment risk	98	98
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

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

Risk-weighted assets

At 31 March 2015	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	269 466	257 931
Credit risk – prescribed standardised exposure classes	198 255	190 717
Corporates	121 671	115 047
Secured on real estate property	19 230	19 230
Short-term claims on institutions and corporates	33 084	32 420
Retail	5 488	5 488
Institutions	8 717	8 717
Other exposure classes	3 020	2 770
Securitisation exposures	7 045	7 045
Equity risk	38 346	42 967
Listed equities	3 324	8 472
Unlisted equities	35 022	34 495
Counterparty credit risk	5 762	5 762
Credit valuation adjustment risk	324	324
Market risk	3 424	3 240
Interest rate	878	878
Foreign exchange	1 134	1 134
Commodities	96	96
Equities	1 316	1 132
Operational risk – standardised approach	23 355	14 921
At 31 March 2014		
Risk-weighted assets	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	33 250	38 653
Listed equities	2 167	7 570
Unlisted equities	31 083	31 083
Counterparty credit risk	5 503	5 503
Credit valuation adjustment risk	976	976
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

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

Investec Limited

Movement in risk-weighted assets

Total RWAs grew by 8.6% over the period, with approximately 71% of this growth attributable to credit risk, 24% to equity risk and the remaining risk types contributing the balance.

Credit risk RWAs

For Investec Limited consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs grew by R15.2 billion with strong growth across the various businesses, including Corporate and Institutional Banking and Private Client Lending. While a portion of this growth is due to currency movement on foreign-denominated assets, the majority is the result of consistent growth across multiple asset classes, the most noticeable being term and short-dated corporate lending and lending secured by residential real estate. 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 2015 financial year.

Counterparty credit risk and credit valuation adjustment RWAs

Counterparty credit risk RWAs increased marginally by R259 million, driven by higher trading volumes and market fundamentals, while CVA over the period decreased by R652 million. While proportionally a large decrease, this figure is volatile due to the nature of the SARB CVA exemption notice which only implemented a CVA capital charge against foreign currency OTCs with foreign counterparties. CVA was implemented as part of Basel III in South Africa and captures the risk of deterioration in the credit quality of a bank's OTC derivative counterparties. For the 2016 financial year, the SARB has withdrawn its exemption notice, resulting in a full implementation of CVA in South Africa as per Basel III. This will result in a significantly higher (but more stable) CVA RWAs for all banks going forward. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs

Equity risk grew by approximately R5.1 billion over the period. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%.

The impact of this is a proportionally much larger increase in RWAs than the associated balance sheet equity value. The growth is attributable to new investments and revaluations of existing assets.

Market risk RWAs

Market Risk RWAs are calculated using the Value at Risk (VaR) approach and has shown a reduction due to reduced market volatility locally and a portfolio that exhibits better overall hedging.

Operational risk RWAs

Operational risk is calculated using the standardised approach 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 2015	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	23 411	24 487
New capital issues	682	–
Dividends	(2 058)	(135)
Profit after taxation	5 182	3 128
Treasury shares	(1 205)	–
Gain on transfer of non-controlling interests	798	–
Share-based payment adjustments	506	–
Movement in other comprehensive income	(56)	305
Goodwill and intangible assets (deduction net of related taxation liability)	(71)	(88)
Transfer of non-controlling interest in non-banking entities to additional tier 1	(471)	–
Other, including regulatory adjustments and transitional arrangements	(887)	618
Closing common equity tier 1 capital	25 831	28 315
Opening additional tier 1 capital	3 764	1 227
New additional tier 1 capital issues	550	–
Other, including regulatory adjustments and transitional arrangements	(523)	(154)
Transfer of non-controlling interest in non-banking entities from common equity tier 1	793	–
Closing additional tier 1 capital	4 584	1 073
Closing tier 1 capital	30 415	29 388
Opening tier 2 capital	9 846	10 670
Redeemed capital	(250)	(250)
Collective impairment allowances	(2)	(2)
Other, including regulatory adjustments and transitional arrangements	(381)	(99)
Closing tier 2 capital	9 213	10 319
Closing total regulatory capital	39 628	39 707

* *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 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 taxation	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 taxation 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

A summary of capital adequacy and leverage ratios

At 31 March 2015	Investec Limited*	IBL*
Common equity tier 1 (as reported)	9.6%	11.0%
Common equity tier 1 ('fully loaded')^^	9.5%	10.9%
Tier 1 (as reported)	11.3%	11.4%
Total capital adequacy ratio (as reported)	14.7%	15.4%
Leverage ratio** – permanent capital	8.5%#	8.5%#
Leverage ratio** – current	8.1%#	8.3%#
Leverage ratio** – 'fully loaded'^^	7.2%#	8.0%#
At 31 March 2014		
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	8.1%#	7.9%#
Leverage ratio** – current	7.8%#	7.9%#
Leverage ratio** – 'fully loaded'^^	6.7%#	7.5%#

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

Summary comparison of accounting assets versus leverage ratio exposure measure

Line #	At 31 March R'million	Limited 2015	IBL* 2015
1	Total consolidated assets as per published financial statements	473 633	332 706
	Adjustments for:		
2	Investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(113 905)	–
4	Derivative financial instruments	(2 761)	(1 989)
5	Securities financing transactions (i.e. repos and similar secured lending)	(3 420)	(2 756)
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	24 253	24 960
7	Other adjustments	(931)	(190)
8	Leverage ratio exposure	376 869	352 731

Leverage ratio common disclosure template

Line #	At 31 March R'million	Limited 2015	IBL 2015
	Leverage ratio framework		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	333 817	307 433
2	Asset amounts deducted in determining Basel III tier 1 capital	(931)	(190)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**332 886**	**307 243**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7 574	8 081
5	Add-on amounts for PFE associated with all derivatives transactions	4 842	5 108
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	–	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**12 416**	**13 189**
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	6 648	6 672
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	Counterparty Credit Risk (CCR) exposures for SFT assets	666	667
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**7 314**	**7 339**
17	Off-balance sheet exposure at gross notional amount	79 412	80 821
18	Adjustments for conversion to credit equivalent amounts	(55 159)	(55 861)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**24 253**	**24 960**
20	Tier 1 capital	30 415	29 388
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**376 869**	**352 731**
22	Basel III leverage ratio	8.1%	8.3%

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

Analysis of rated counterparties in each standardised credit exposure class

The capital requirement disclosed as held against credit risk 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:

	31 March 2015		31 March 2014	
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	38 800	38 800	40 716	40 716
2	–	–	–	–
3	–	–	176	176
4	113	113	–	–
5	164	164	105	105
6	–	–	–	–
Institutions original effective maturity of more than three months				
1	390	390	–	–
2	9 131	7 761	12 531	11 818
3	8 283	7 195	7 430	7 167
4	–	–	527	527
5	61	61	–	–
6	180	180	–	–
Short-term claims on institutions				
1	3 524	3 524	1 480	1 480
2	11 398	11 398	11 753	11 753
3	12 719	12 451	15 210	15 210
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Corporates				
1	727	727	2 387	2 074
2	2 454	1 363	3 652	2 678
3	7 991	5 596	5 885	4 350
4	1 624	1 245	451	418
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	322	322	793	793
2	1 465	1 465	5 353	4 540
3	1 018	915	2 756	1 437
4	214	214	267	267
5	909	909	1 668	1 668
Total rated counterparty exposure	101 487	94 793	113 140	107 177

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 and Investec Bank Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings at 18 June 2015 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 ratings		
Foreign currency	F3	F3
National		F1 (zaf)
Viability rating	bbb-	bbb-
Support rating	5	3
Moody's		
Long-term ratings		
Foreign currency		Baa2
National		A1(za)
Short-term ratings		
Foreign currency		Prime-2
National		P-1(za)
Baseline credit assessment		baa2
S&P		
Long-term ratings		
Foreign currency		BBB-
National		za.AA
Short-term ratings		
Foreign currency		A-3
National		za.A-1
Global Credit Ratings		
Local currency		
Long-term rating		AA-(za)
Short-term rating		A1+(za)

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 as well as the appropriate chief executive officers. The head of Internal Audit operates independently of executive management, but has regular access to their chief executive officer and to BU executives. The head of Internal Audit is responsible for coordinating Internal Audit efforts to ensure 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 most recent independent 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 were communicated to the audit committees in March 2014 and to the respective regulators. A QAR follow-up review was completed and results issued to the audit committees in January 2015 as well as 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. Very high-risk businesses and processes are audited at least every 12 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 integrated 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 an 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. In addition, the scale and frequency of regulatory fines and redress orders continues to impact firms' balance sheets with the regulators' intensive and intrusive approach to supervision expected to continue for the foreseeable future.

Global regulators have continued to focus on promoting stability and resilience in financial markets, with increasing emphasis on recovery and resolution plans and structural reforms to the banking sector as well as customer and market conduct-related reforms.

Investec remains focused on complying with the highest levels of compliance professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

Year in review

Changes to regulatory landscape in South Africa

The rapid pace of regulatory developments has continued from last year.

A second draft of the Financial Sector Regulation Bill, which was vastly different from the first draft, was released for comments in December 2014. The Bill creates the two new regulatory peaks within the financial services sector, i.e. the Bank Supervision Department of the SARB will transform into the Prudential Authority (PA), and the Financial Services Board (FSB) will transform into the Financial Sector Conduct Authority (FSCA). Both new authorities will have wider jurisdiction than the existing regulatory authorities, e.g. the PA's jurisdiction will extend beyond banks (to insurance companies for instance), and the FSCA's jurisdiction will also extend to the market conduct activities of banks; and both authorities will have wider law-making powers. The Bill also introduces consultation and coordination between the financial sector regulators and other regulators that have an impact on and oversight of activities of financial institutions, e.g. the National Credit Regulator.

The Financial Sector Regulatory Bill also proposes to amend the existing market conduct-related legislation into an overarching Conduct of Financial Institutions Act within the next two years. This will supersede existing industry-specific legislation in terms of the Banks Act, Long Term Insurance Act, Short Term Insurance Act and the Financial Advisory and Intermediary Services (FAIS).

Simultaneously National Treasury (NT) published the Market Conduct Policy Framework for comment. This document outlined NT's policy approach to market conduct, and will form the basis for their development of the market conduct regulatory framework and legislation. The Treating Customers Fairly regime will form part of this new framework.

The FSB released the Retail Distribution Review paper for comment in November 2014. The paper proposes a more proactive and interventionist regulatory framework for distributing retail financial products to customers.

The amendments to the National Credit Act and the regulations came into effect on 13 March 2015. The amendments include the introduction of affordability assessment regulations.

Draft regulations in respect of over-the-counter derivatives were published for comment in the course of 2014.

Conduct risk (consumer protection)

Conduct risk remains a key area of concern for the regulators. While the regulatory framework is changing to create a dedicated regulator to supervise the conduct of financial institutions, the existing regulatory and legislative framework continues to be utilised to ensure that financial institutions take heed of conduct risk and that they have measures in place to mitigate or avoid such risks. Some examples include the SARB incorporating market conduct as a flavour of the year topic in 2014, the NCR amending the National Credit Act to include affordability assessment regulations, and the FSB amending the General Code of Conduct for Authorised Financial Services Providers to prohibit sign-on bonuses. The affected businesses continue to assess the impact of the regulatory requirements, and implement changes where necessary.

Although the effective date for the Protection of Personal Information Act (POPI) has not yet been published, work continues on data protection and information management.

Financial crime

Financial crime continues to be a regulatory focus with amendments to governing legislation proposed for later this year. All accountable institutions are further effected by the Financial Intelligence Centre's intended move to a new automated solution for registration and reporting, also scheduled for later this year.

Tax reporting

The intergovernmental agreement for South Africa has been ratified in parliament and is effective as of 28 October 2014. This allows South Africa to be treated as a participating country and thus avoid withholding tax 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 comply with FATCA.

In addition to FATCA, there is also an OECD Common Reporting Standard proposal, aiming for an internationally accepted single global tax reporting standard and automatic exchange of information.

Mauritius has signed a Tax Information Exchange Agreement as well as an inter-governmental agreement with the IRS and therefore will also be treated as a participating country.

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

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in Investec's 2015 integrated annual report.

Chairman's introduction

Dear Shareholder

It is pleasing to present the 2015 annual corporate governance report which sets out Investec's approach to corporate governance.

Continuing and embedding our structured board refreshment programme has been a particular area of focus over the past year. It is pleasing that a thorough selection process, overseen by the nominations and directors affairs' committee (NOMDAC), has led to the appointment of five independent non-executive directors, bringing further diversity of background, skills and experience to the board.

The last year also saw Sir David Prosser stepping down as joint chairman of the board. The transition from a joint chairmanship to a sole chairman has been a smooth one due, in no small part, to the invaluable role Sir David played in chairing the board and supporting me during this time.

Our culture and values

Our culture, values and philosophies provide the framework for how we conduct our business and measure behaviour and practices to ensure that we demonstrate the characteristics of good governance. Our values require that directors and employees act with moral strength and integrity, and conduct themselves to the highest ethical standard 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.

Regulatory context

The disclosure of our governance practices requires a description of the regulatory context that Investec, as a dual listed company (DLC), operates within.

We operate under a DLC structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group which also complies with requirements in both jurisdictions. All international business units operate in accordance with the above determined corporate governance principles, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

The board, management and employees of Investec are committed to complying with the disclosure, transparency and listing rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) Listings Requirements, the UK Corporate Governance Code (the Code) which was issued by the UK's Financial Reporting Council in 2010 (revised in September 2012 with the most recent version being published in September 2014 for reporting periods commencing after 1 October 2014) 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.

The past year in focus

Sir David Prosser

Sir David decided in 2014 that it would be an appropriate time for him to retire and therefore stepped down from the board following the annual general meetings of Investec plc and Investec Limited held on 7 August 2014.

Consequently, I assumed the role of sole chairman of the board, with effect from 8 August 2014.

Composition of the board and board refreshment

The board, on the recommendation of the NOMDAC, implemented a structured refreshment programme so as to ensure that we are recruiting new independent non-executive directors and retiring some of our longer serving non-executive directors. Accordingly, the following changes were made to the composition of the board:

- George Alford, Olivia Dickson and Peter Malungani did not seek re-election as directors at the 2014 annual general meeting, and accordingly stepped down from the board at the conclusion of the 2014 annual general meeting

- The board appointed, with effect from 8 August 2014, Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane as independent non-executive directors
- Perry Crosthwaite was appointed as the senior independent director in place of George Alford on 8 August 2014
- Zarina Bassa was appointed as an independent non-executive director of the board, with effect from 1 November 2014, and Laurel Bowden was appointed as an independent non-executive director on 1 January 2015.

Additionally, discussions have been concluded with Haruko Fukuda, who has served on the board for a period exceeding nine years, who has agreed that she will not stand for re-election at the August 2015 annual general meeting.

The board continues to monitor the impact of the evolving regulatory landscape in the UK, and consideration is being given to appoint a UK independent non-executive director with specific and recent financial services knowledge to the board.

Composition of the DLC remuneration committee

- Charles Jacobs was appointed as a member of the committee, effective from 8 August 2014
- Bradley Fried stepped down as a member of the committee, with effect from 18 September 2014.

Composition of the audit committees

- Khumo Shuenyane was appointed as a member of the committees with effect from 8 August 2014
- Zarina Bassa became a member of the committees on 1 November 2014
- Laurel Bowden was appointed to the committees with effect from 1 January 2015.

Composition of NOMDAC

- Perry Crosthwaite and David Friedland were appointed as members of NOMDAC on 16 September 2014.

Board and directors' effectiveness review

The 2015 review of the board's effectiveness took the form of a detailed questionnaire and a series of structured interviews between the chairman and each individual director (the 2015 review). All directors completed the questionnaire and were interviewed during the course of the 2015 review.

Key themes to emerge from the effectiveness review included:

- Board composition: bedding down the board refreshment programme
- Management succession planning
- Continuing to improve management information
- Strengthening the structures of the regulated subsidiaries
- Directors ongoing development particularly within the context of the changing regulatory landscape
- Streamlining the working between the group risk and capital committee (GRCC) and the board risk and capital committee (BRCC)
- The number of directors on the board.

An externally facilitated board effectiveness evaluation last took place in 2013.

The board has agreed that the 2016 review of the board's effectiveness will be conducted by an external independent facilitator.

Priorities for the new year

In broad terms, our priorities for 2015, from a corporate governance perspective, are as follows:

Board diversity and effectiveness

The board will continue with its structured refreshment programme to ensure its composition is the most appropriate to provide effective entrepreneurial leadership and robust oversight.

The board believes that diversity in terms of a broad range of skills, experience, background and outlook is required for it to be effective. While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC is mindful of all aspects of diversity when making recommendations for appointments to the board.

Per Lord Davies' report on 'Women on Boards', the board has an aspirational target of 25% female representation on the board by the end of 2015. The board recognises that gender is an important aspect of diversity. The NOMDAC continues to implement the structured refreshment programme referred to above so as to ensure that we are retiring some of our longer serving non-executive directors over a period of years. At the date of this report, the board had adopted a board diversity policy and female directors currently comprise 24% of the board.

Management succession

Succession planning for senior management is also a key area of focus and the identification of talented future leaders is essential for Investec's long-term success.

The NOMDAC received a detailed presentation from the executive management 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 and the respective succession plans in the three core activities continue to be implemented within the respective businesses.

Conclusion

It is important to emphasise that underpinning our governance framework, and at the core of everything we do, are Investec's culture, values and philosophies.

Increasingly, the importance of organisational culture and its part in ensuring good corporate governance and conduct is understood by other organisations and by our regulators. Our culture and values have always been at the heart of how we operate, and we believe the strength with which these are embedded and lived throughout the organisation distinguishes Investec from others. We believe that these will, as ever, provide the group with a strong foundation to enable it to meet the challenges of the future.

Fani Titi
Chairman

18 June 2015

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 31.

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's 2015 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 throughout 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 have confirmed 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
- Solvency.

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 67 to 73 and pages 77 to 88.

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

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the 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 key 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 this integrated annual report and annual 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 receives 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), group risk and capital committee (GRCC) 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 as well as oversight forums, and assurance and control functions such as Group Risk Management, Internal Audit and Compliance.

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 GRCC and 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. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the external audit process.

Board of directors

Biographical details of the directors are set out on pages 104 and 105, with more information in Investec's 2015 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 allow risks to be assessed and managed.

The board has adopted a board charter which is reviewed annually and which provides a framework of how the board operates 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 Investec's 2015 integrated annual report.

Composition, structure and process

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

Refer to Investec's 2015 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 chairmen and chief executive officer
- Board meetings
- Dealings in securities
- Directors' dealings
- Independent advice
- IT governance.

The names of the directors at the date of this report, the year of their appointment and their independence status for the year under review are set out below:

	Date of appointment: Investec Limited	Independent
Executive directors		
S Koseff (chief executive officer)	6 Oct 1986	–
B Kantor (managing director)	8 Jun 1987	–
GR Burger (group risk and finance director)	3 Jul 2002	–
HJ du Toit	15 Dec 2010	–
Non-executive directors		
F Titi (chairman)	30 Jan 2004	Yes
ZBM Bassa	1 Nov 2014	Yes
LC Bowden	1 Jan 2015	Yes
CA Carolus	18 Mar 2005	Yes
PKO Crosthwaite (senior independent director)	18 Jun 2010	Yes
B Fried	1 Apr 2010	No
D Friedland	1 Mar 2013	Yes
H Fukuda OBE	21 Jul 2003	Yes
CR Jacobs	8 Aug 2014	Yes
IR Kantor	30 Jul 1980	No
Lord Malloch-Brown KCMG	8 Aug 2014	Yes
KL Shuenyane	8 Aug 2014	Yes
PRS Thomas	29 Jun 1981	Yes

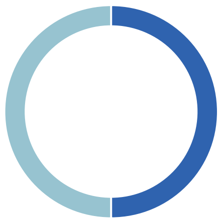
Independence

Chairman	1
Executives	4
Non-executives	13

65% of board independent

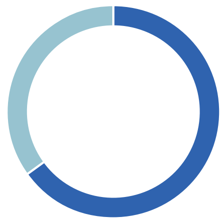
Balance of non-executive and executive directors

Pre-2014 AGM



Independent	50.0%
Non-independent	50.0%

Post-2014 AGM



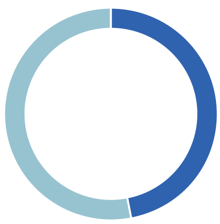
Independent	65.0%
Non-independent	35.0%

Diversity

Aspirational target:

Per the Davies Report: 25% female representation by 2015

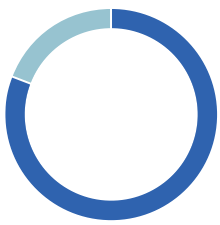
Geographical mix



South Africa	47.0%
UK including Europe	53.0%

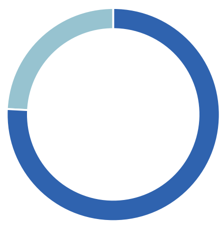
Board gender balance:

Pre-2014 AGM



Male	81.0%
Female	19.0%

Post-2014 AGM



Male	76.0%
Female	24.0%

Tenure

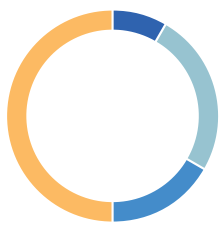
Average length of service:

(Length of service by band) for non-executive directors

UK Corporate Governance recommendation

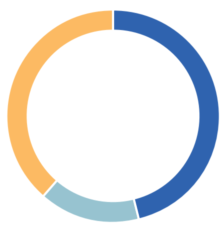
Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

Pre-2014 AGM: **8 years average**



0 — 3 years	1
3 — 6 years	3
6 — 9 years	2
9 years plus	6

Post-2014 AGM: **5 years average**



0 — 3 years	6
3 — 6 years	2
6 — 9 years	–
9 years plus	5

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 full terms of reference are available on our website. The reports of the chairman of the board committees are provided in Investec's 2015 integrated annual report.

For ease of reference, the report by the chairman of the Investec Limited audit committee is included on pages 98 to 100.

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 Investec's 2015 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 that 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 Investec's 2015 integrated annual report.

Steve Elliott is remunerated by Investec Wealth & Investment Limited (a UK domiciled company and subsidiary of Investec plc) 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 Investec's 2015 integrated annual report.

Audit committee report to shareholders

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 committees, we concluded that sound risk management and internal controls have been maintained during the year. The committees were 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 2015, 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.

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 and the integrated annual report
- The independence and performance of the statutory and internal 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 the terms of reference for the audit committees which can be found on our website.

The audit committees approve the annual internal audit plan. The heads of Internal Audit for both Investec plc and Investec Limited have free access to the chairman of the audit committees or any member of the audit committees and they attend all audit committee meetings by invitation.

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

Membership and attendance

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

George Alford and Olivia Dickson did not seek re-election as directors of the group and as such resigned from the audit committees with effect from 7 August 2014.

Our sincere thanks for their wise counsel and contribution over the many years they served as valued members of the audit committees.

The committees have been bolstered following the appointments of Khumo Shuenyane, Zarina Bassa and Laurel Bowden during the year.

In aggregate the audit committees meet 12 times per year. The chairman, chief executive officer, managing director, finance and risk director, heads of Compliance, IT, Operational Risk, Internal Audit, Finance 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 committees regularly meets with the heads 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 2015:

Members	DLC audit committee		Investec plc audit committee		Investec Limited audit committee	
	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended
D Friedland (chairman)	4	4	4	4	4	4
GFO Alford*	4	2	4	1	4	1
ZBM Bassa**	4	2	4	2	4	2
LC Bowden***	4	–	4	2	4	2
OC Dickson*	4	2	4	1	4	1
KL Shuenyane****	4	2	4	3	4	3
PRS Thomas	4	4	4	4	4	4
CB Tshili*****	4	2	n/a	n/a	4	1

* *GFO Alford and OC Dickson stepped down from the audit committees with effect from 7 August 2014 and were therefore only eligible to attend meetings held prior to 7 August 2014.*

** *ZBM Bassa was appointed to the audit committees with effect from 1 November 2014 and was therefore only eligible to attend meetings held after 1 November 2014.*

*** *LC Bowden was appointed to the audit committees with effect from 1 January 2015 and was therefore only eligible to attend meetings held after 1 January 2015.*

**** *KL Shuenyane was appointed to the audit committees with effect from 8 August 2014 and was therefore only eligible to attend meetings held after 8 August 2014.*

***** *CB Tshili was a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represented its interest on this committee. CB Tshili stepped down from the audit committees with effect from 7 August 2014 and was therefore only eligible to attend meetings held prior to 7 August 2014.*

Summary of conclusions reached by the audit committees for the year ended 31 March 2015

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

- The finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group risk and 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 being addressed
- The external auditors of both Investec plc and 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
- Discussed with management the process used to identify, measure and oversee tax risks
- 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.
- Focused on information security, due to the ever increasing threat posed by cybercrime and risks associated with mobile technology and social media
- Confirmed the absence of any indicators of fraud with regard to financial reporting.

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

In this regard the audit committees:

- Considered 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
- Obtained confirmation from the chief executive officer and group risk and finance director that they considered the disclosures to be fair, reasonable and balanced
- Reviewed the annual report to ensure that taken as a whole, it is fair, reasonable and balanced and have advised the board to that effect
- 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 was 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

The committee considers the reappointment of the external auditor each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditor on an ongoing basis. The external auditor is required to rotate the lead audit partner every five years and other senior audit staff every seven years. Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period. The lead partner rotated last year so 2015 was the first year of the new lead partner's five-year rotation.

Although Ernst & Young has been the group's auditors since listing on the London Stock Exchange in 2002, we believe that partner rotation, limitations on non-audit services and the confirmation of the independence of both Ernst & Young and the audit team are adequate safeguards to ensure that the audit process is both objective and effective.

Non-audit services

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

The committees review 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 Investec's 2015 integrated annual report.

Internal Audit

The committees are responsible for monitoring and reviewing the scope and the effectiveness of the Internal Audit function. Both the Investec Limited and Investec plc heads of Internal Audit have a direct reporting line to the chairman of the audit committees and they regularly meet to discuss progress with the audit plans, and setting annual objectives. Internal Audit was subject to a 'quality assurance review' in 2014. The areas identified for improving efficiency and streamlining the audit process were implemented during the financial year.

Risks addressed during the year under review

Detailed below are significant audit risks 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

- Valuation of financial instruments and unlisted investments

  Unlisted investments often require a large degree of subjectivity surrounding the various inputs to their valuations. We discussed with management the assumptions used in the valuations of unlisted investments, including embedded derivatives

- Accounting and financial reporting of large or complex transactions

  Discussions were held with management and the external auditors with regard to large and complex transactions to ensure compliance with the Accounting Standards including estimates of levels of taxation expected to be payable.

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

In addition, the audit committees considered the following themes:

- Cybercrime

  The group experienced an escalation in attempted IT fraud and other forms of cybercrime. 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

- Liquidity risk

  The adequacy and appropriateness of liquidity management throughout the group's operations

- Compliance with laws and regulations

  Adherence to key regulatory issues facing the group

- Control weaknesses

  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.

IFRS 9 Financial Instruments

The new standard includes revised guidance on classification and measurement of financial assets including a new expected credit loss model for calculating impairments.

Although the new standard is only effective from the 2019 financial year, the finance team has commenced addressing a number of challenges and uncertainties inherent in implementing the new standard.

Among the key issues are:

- The need to develop more forward-looking estimates of future credit losses
- The transfer of assets between impairment categories is likely to be highly dependent on judgement and internal management processes
- Interpretation of the terms 'significant increase' in credit risk and of 'default' will also require judgement.

The audit committees will use the lead time to challenge management's assessment of the standard's effect and remain abreast of its implementation plans.

We are still in the process of assessing the impact of IFRS 9.

Audit committees' structure

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

Audit committees of Investec plc and Investec Limited

External auditors
- Planning/budget
- Conflict/audit independence confirmations
- Non-attest services and fees
- Reports to regulators
- Management letter
- Quality of earnings (audit differences schedule)
- Appointment/reappointment

Compliance
- Planning
- Resources
- High-level reporting of possible compliance breaches
- Monitoring of special projects
- Regulatory matters

Tax
- High level only
- Tax sub-committee

Prudential audit and conduct committee
- Distil only major issues to the Investec plc audit committee

Audit sub-committees
- Distil only major issues to audit committees
- High-level reports

Audit compliance implementations forum (ACIF)
- Reviews higher rated findings from all assurance providers
- Monitors mitigation of above risks

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

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

Internal auditors
- Annual audit plan
- Adequacy of staffing complement
- Succession planning
- Internal audit charter
- Status of audit work plan
- Report of findings and monitoring of outstanding issues
- 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

Support structures

Audit sub-committees for Investec plc and 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 plc and Investec Limited audit committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of their business units. Members of the Investec plc and Investec Limited audit committees are entitled to attend these meetings and, as a general rule, at least one non-executive director attends these meetings.

The forums are key to enhancing risk and control consciousness and the associated control environment of the group.

The forums support and provide important insight to the audit committees. Essentially, the forums act as a filter, enabling the audit committees to concentrate their efforts on matters of appropriate materiality.

Audit tendering

In June 2014, European Union (EU) audit legislation came into force. Among other provisions, it imposes mandatory audit firm rotation. The legislation will take effect in June 2016. Special transition arrangements apply to the provisions on mandatory firm rotation.

In December 2014 the UK Government (Department for Business Innovation and Skills (BIS)) and Financial Reporting Council (FRC), respectively, launched a discussion document and detailed consultation paper. Both explore options for the implementation of the EU's audit legislation. Subject to the responses, BIS is expected to issue a detailed consultation in the last quarter of 2015. Once the FRC has considered the responses to its questions, and decided which options to take forward, it will amend its standards via a further consultation in 2015. BIS will proceed, for the remainder of 2015, drafting amendments to the Companies Act 2006 and the European Communities Act 1972, which will be subject to parliamentary approval, in readiness for June 2016 when the EU legislation takes effect.

The committees will continue to monitor these developments and consider the impact of these regimes on Investec's external audit arrangements as the UK implementation rules become clearer.

David Friedland
Chairman, audit committees

18 June 2015

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 which states that:

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the audit committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

For further details on non-audit services see note 6 on page 140.

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) and the Bank of Mauritius. Some of our businesses are subject to supervision by the South African Financial Services Board, the 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 forms 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.

Executive directors

(details as at 30 June 2015)

Stephen Koseff (63)

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

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

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, Investec Bank plc and a number of Investec subsidiaries.

Bernard Kantor (65)

Managing director
CTA

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

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: Phumelela Gaming and Leisure Limited, Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

Glynn R Burger (58)

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

Board committees: DLC board risk and capital and DLC capital

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 J du Toit (53)

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: Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited as well as their subsidiaries.

Non-executive directors

(details as at 30 June 2015)

Fani Titi (53)

Chairman
BSc (Hons), MA, MBA

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

Appointed to the board in January 2004. Following the retirement of Sir David Prosser in August 2014, Fani became the sole chairman.

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

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

Zarina BM Bassa (51)

BAcc, DipAcc, CA(SA)

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

Appointed to the board in November 2014.

Zarina is the executive chairman of Songhai Capital. A former partner of Ernst & Young Inc., she joined the Absa Group in 2002 and was an executive director and a member of the bank's executive committee, with accountability for private banking. She has previously chaired the Public Accountants' and Auditors' Board and the Auditing Standards Board and has been a member of the JSE GAAP Monitoring Panel.

Other directorships include: Financial Services Board, Investec Bank Limited, Kumba Iron Ore Limited, Lewis Group Limited, Oceana Group Limited, Senwes Limited, Sun International Limited, Vodacom Proprietary Limited and Woolworths Holdings Limited.

Laurel C Bowden (50)

National Higher Diploma Engineering, BSc, MBA

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

Appointed to the board in January 2015.

Laurel is a partner at 83 North, where her areas of focus include internet, enterprise software and fintech. Laurel has over 15 years' investment experience and was previously a director at GE Capital in London, where she was responsible for acquisitions in consumer and transport finance in Europe.

Other directorships include: Bluevine Capital Inc., Edbury Partners Limited, 83 North, GE Ventures Limited, iZettle AB, Notonthehighstreet Enterprises Limited, and Wonga Group Limited.

Cheryl A Carolus (57)

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 (66)

Senior independent director
MA (Hons) in modern languages

Board committees: DLC remuneration and DLC nominations and directors' affairs

Appointed to the board in June 2010.

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

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

Bradley Fried (49)

BCom, CA(SA), MBA

Board committees: DLC board risk and capital

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 deputy chairman of the Court of Bank of England.

David Friedland (62)

BCom, CA(SA)

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

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, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les (Pty) Ltd.

Haruko Fukuda OBE (68)

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 Europe 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.

Charles R Jacobs (48)

LLB

Board committees: DLC remuneration

Appointed to the board in August 2014.

Charles Jacobs is a senior partner of Linklaters LLP specialising in public and private M&A, capital raisings and initial public offerings, joint ventures, corporate governance and other corporate work. Charles also heads Linklaters' global mining team and much of his work is in this sector. Charles has been a solicitor at Linklaters for over 20 years and has been a partner since 1999.

Other directorships include: Linklaters LLP and Fresnillo plc (director and chairman of the remuneration committee).

Ian R Kantor (68)

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.

Lord Malloch-Brown KCMG (61)

BA (Hons) History, MA (Political Science)

Board committees: DLC social and ethics

Appointed to the board in August 2014.

Lord Malloch-Brown is a former chairman of Europe, Middle East and Africa at FTI Consulting.

From 2007 to 2009, Lord Malloch-Brown was a UK government minister. Lord Malloch-Brown was formerly the deputy secretary-general of the United Nations as well as development specialist at the World Bank and United Nations and a communications consultant and journalist with wide ranging experience of boards.

Other directorships include: Gadco Cooperatief U.A., Seplat Petroleum Development Company plc and Smartmatic Limited.

Khumo L Shuenyane (44)

Associate CA (Member of the Institute of Chartered Accountants in England and Wales)

Bachelor in Social Science (International studies with Economics)

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

Appointed to the board in August 2014.

Khumo is a chartered accountant (England and Wales), BEcon and International Studies and was previously group chief officer (Mergers and Acquisitions and International Business Development) of MTN Group Limited. Until 2007, Khumo was head of Principal Investments at Investec Bank Limited.

Other directorships include: Investec Bank Limited and Famous Brands Limited.

Peter RS Thomas (70)

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 DLC capital

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.

Footnotes

- George FO Alford, Olivia C Dickson and M Peter Malungani resigned as directors with effect from 7 August 2014
- Charles R Jacobs, Lord Malloch-Brown and Khumo L Shuenyane were appointed as directors with effect from 8 August 2014
- Zarina BM Bassa was appointed as a director with effect from 1 November 2014
- Laurel C Bowden was appointed as a director with effect from 1 January 2015.

Details of the Investec committees can be found in Investec's 2015 integrated annual report.

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

Shareholder analysis

Investec ordinary shares

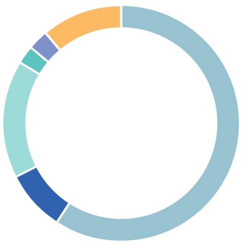
As at 31 March 2015, Investec Limited had 285.7 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2015

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 018	1 – 500	41.1%	656 916	0.2%
1 320	501 – 1 000	18.0%	1 022 894	0.4%
1 716	1 001 – 5 000	23.4%	3 966 211	1.4%
379	5 001 – 10 000	5.2%	2 821 930	1.0%
517	10 001 – 50 000	7.0%	12 611 455	4.4%
154	50 001 – 100 000	2.1%	11 035 521	3.8%
238	100 001 and over	3.2%	253 633 696	88.8%
7 342		100.0%	285 748 623	100.0%

Geographical holding by beneficial ordinary share owner as at 31 March 2015



Largest ordinary shareholders as at 31 March 2015

In accordance with the terms provided for in section 56 of the South African Companies Act, 2008, as amended, 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)	34 960 421	12.2%
2. Old Mutual (ZA)	21 575 597	7.6%
3. Investec Staff Share Scheme (ZA)	21 172 494	7.4%
4. Sanlam Group (ZA)	15 804 721	5.5%
5. Allan Gray (ZA)	14 322 145	5.0%
6. Entrepreneurial Development Trust (ZA)*	11 793 607	4.1%
7. BlackRock Inc (UK and US)	10 695 017	3.7%
8. Dimensional Fund Advisors (UK)	10 281 382	3.6%
9. Vanguard Group (US and UK)	7 846 243	2.7%
10. MMI Holdings (ZA)	7 178 025	2.5%
	155 629 652	54.5%

The top 10 shareholders account for 54.5% 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 as at 31 March 2015

	Number of Investec Limited shares	% holding
Public*	258 209 089	90.4%
Non-public	27 539 534	9.6%
Non-executive directors of Investec plc/Investec Limited	325	–
Executive directors of Investec plc/Investec Limited	6 366 715	2.2%
Investec staff share schemes	21 172 494	7.4%
Total	285 748 623	100.0%

* *As per the JSE Listings Requirements.*

Share statistics

Investec Limited

For the period ended	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Closing market price per share (Rands)							
– Year ended	100.51	84.84	64.26	47.16	52.80	62.49	38.86
– Highest	107.35	85.04	69.89	57.36	65.50	65.40	63.19
– Lowest	86.02	59.00	41.31	42.00	49.49	37.51	27.20
Number of ordinary shares in issue (million)*	285.7	282.9	279.6	276.0	272.8	269.8	268.4
Market capitalisation (R'million)*	90 388	75 652	56 857	41 232	42 768	46 299	27 715
Daily average volume of shares traded ('000)	739	810	980	1 033	794	1 068	1 168

* *The JSE Limited 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 899.3 million shares in issue.*

Investec perpetual preference shares

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

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
851	1 – 500	15.7%	278 159	0.9%
1 291	501 – 1 000	23.8%	1 104 921	3.4%
2 445	1 001 – 5 000	45.0%	5 759 366	17.9%
421	5 001 – 10 000	7.8%	3 013 111	9.4%
362	10 001 – 50 000	6.7%	7 040 681	21.9%
22	50 001 – 100 000	0.4%	1 723 855	5.4%
37	100 001 and over	0.7%	13 294 406	41.3%
5 429		100.0%	32 214 499	100.0%

Investec Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
867	1 – 500	90.0%	121 181	20.4%
60	501 – 1 000	6.3%	41 620	7.0%
27	1 001 – 5 000	2.8%	57 709	9.7%
2	5 001 – 10 000	0.2%	18 000	3.0%
5	10 001 – 50 000	0.5%	77 959	13.1%
1	50 001 – 100 000	0.1%	100 000	16.8%
1	100 001 and over	0.1%	177 493	30.0%
963		100.0%	593 962	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
812	1 – 500	21.2%	235 948	1.5%
1 081	501 – 1 000	28.2%	953 728	6.4%
1 476	1 001 – 5 000	38.5%	3 525 606	22.8%
245	5 001 – 10 000	6.4%	1 810 119	11.7%
180	10 001 – 50 000	4.7%	3 296 473	21.3%
16	50 001 – 100 000	0.4%	1 167 111	7.5%
23	100 001 and over	0.6%	4 458 645	28.8%
3 833		100.0%	15 477 630	100.0%

Largest perpetual preference shareholders as at 31 March 2015

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

Investec Limited perpetual preference shares

Standard Chartered Bank – Coronation Capital Plus fund	5.2%
Standard Chartered Bank – Coronation Strategic Income fund	5.2%

Investec Limited redeemable preference shares

Investec Securities (Pty) Limited	8.6%
National Savings and Investment (Pty) Limited	24.5%

Investec Bank Limited perpetual preference shares

There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Bank Limited as at 31 March 2015.

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.

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 roadshows 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, Group Risk Management 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 the life of, 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 and empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align with the culture of our organisation and our approach to responsible business.

Our culture and values demonstrate our belief that as an organisation we can and must have a positive impact on the success and well-being 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 or 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 key drivers behind our activities, in a manner that best makes sense to each.

Please refer to the website for Investec's full Corporate Citizenship statement.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet:

Profit

Financial strength and resilience (of the business and the economy)
- Balanced and resilient business model.

Risk management and compliance
- Strong risk consciousness
- Responsible banking practices
- Responsible lending and investing.

Governance
- Strong culture and values to underpin our processes, functions and structures.

People

Internal employees
- Strong, diverse and capable workforce
- Provide a progressive work environment.

External CSI initiatives
- Education
- Entrepreneurship
- Environment.

Planet

Internal
- Reduce operational impacts.

External
- Embed environmental considerations into business activities.

Sustainability at Investec is about:

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients' and stakeholders' wealth based on strong relationships of trust.

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 2015

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	15
Senior management	43	23	61	543
Professionally qualified and experienced specialist and mid-management	137	61	70	295
Skilled, academic, junior management, supervisors, foremen and superintendents	70	24	22	21
Semi-skilled and discretionary decision-making	113	24	7	12
Non-permanent	21	2	5	52
Total	387	134	166	938

	Female				Foreign		
	African	Coloured	Indian	White	Male	Female	Total
Top management	1	–	–	3	–	–	23
Senior management	29	17	42	293	39	16	1 106
Professionally qualified and experienced specialist and mid-management	220	107	182	512	29	33	1 646
Skilled, academic, junior management, supervisors, foremen and superintendents	79	108	41	86	1	6	458
Semi-skilled and discretionary decision-making	78	25	19	16	3	4	301
Non-permanent	22	11	8	39	6	7	173
Total	429	268	292	949	78	66	3 707

Annexure 2: Home loan mortgage disclosure at 31 December 2014

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
Applications received	11 822	24 909 979 680
Approved	10 788	21 998 374 821
Declined	170	374 629 982
Disbursed/paid out	6 644	13 599 690 419

Race groups

	African		Coloured		Indian	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received*	1 534	2 651 862 301	354	589 680 314	920	1 787 017 256
Approved	1 326	2 199 664 112	330	548 163 118	830	1 528 369 462
Declined*	58	100 169 284	7	11 903 162	18	41 188 542
Disbursed/paid out*	727	1 183 659 922	175	286 566 794	466	812 976 365

	White		Other	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received*	6 341	13 869 531 104	2 673	6 011 888 705
Approved	5 860	12 397 885 585	2 442	5 324 292 544
Declined*	66	155 968 234	21	65 400 760
Disbursed/paid out*	3 517	7 433 186 190	1 759	3 883 301 148

**Unaudited*

Province

	Eastern Cape		Free State	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	470	805 706 772	151	250 489 550
Approved	422	707 941 025	142	238 662 118
Declined	6	12 104 128	–	–
Disbursed/paid out	222	367 828 872	92	147 063 472

	Gauteng		KwaZulu-Natal	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	6 931	14 688 366 541	1 000	2 101 028 946
Approved	6 290	12 938 100 713	872	1 791 193 393
Declined	119	264 473 727	20	38 690 340
Disbursed/paid out	3 855	7 750 988 904	656	1 394 746 298

	Limpopo		Mpumalanga	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	76	116 087 885	262	433 590 507
Approved	73	111 552 885	250	402 954 365
Declined	–	–	2	2 784 700
Disbursed/paid out	53	72 181 606	172	271 204 392

	North West		Northern Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	134	265 127 701	36	62 087 337
Approved	121	218 063 491	33	55 604 585
Declined	2	4 470 000	1	517 700
Disbursed/paid out	79	146 173 790	15	21 904 188

	Western Cape	
	Number of applications	Rand amount
Applications received	2 762	6 187 494 440
Approved	2 585	5 534 302 245
Declined	20	51 589 387
Disbursed/paid out	1 500	3 427 598 895

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Annual financial statements

Directors' responsibility statement

The annual financial statements and the group annual financial statements of Investec Limited, as set out on page 116, 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 18 June 2015 and signed on its behalf by:

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

18 June 2015

Annual financial statements

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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 2015, 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.

Niki van Wyk
Company secretary, Investec Limited

18 June 2015

Independent auditor's report to the members of Investec Limited

We have audited the consolidated and separate financial statements of Investec Limited, which comprise the balance sheets of Investec Limited at 31 March 2015, income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and the accounting policies and notes to the financial statements, as set out on pages 117 to 195 and the specified disclosures within the risk management, corporate governance sections, remuneration and directors' reports 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 financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The directors' responsibility includes a responsibility for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 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 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 financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Limited at 31 March 2015, 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 and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of these financial statements for the year ended 31 March 2015, we have read the Declaration by the company secretary and the directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst + Young Inc.

Ernst & Young Inc.
Registered Auditor
Per Ernest van Rooyen
Chartered Accountant (SA)
Director

102 Rivonia Road
Sandton

18 June 2015

KPMG Inc.

KPMG Inc.
Registered Auditor
Per Gavin de Lange
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown

18 June 2015

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, South 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 25 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 note 41 to the annual financial statements.

Investec Limited

During the year, the following shares were issued:

- 2 814 094 ordinary shares on 25 June 2014 at R89.81 (R0.0002 par and premium of R89.8098 per share)
- 4 243 045 special convertible redeemable preference shares on 25 June 2014 of R0.0002 each at par
- 610 254 special convertible redeemable preference shares on 15 August 2014 of R0.0002 each at par
- 185 643 class ILRP2 redeemable non-participating preference shares at R1 000.00 per share (R0.01 par and premium of R999.99 per share).

On 23 June 2014, Investec Limited redeemed 81 variable rate redeemable cumulative preference shares at R1 million per share (R0.60 par and premium of R999 999.40 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2015.

At 31 March 2015, Investec Limited held 21 162 694 shares in treasury (2014: 19.0 million). The maximum number of shares held in treasury by Investec Limited during the period under review was 24 708 870.

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 2015. The preparation of these consolidated results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

An interim dividend of 146.0 cents per ordinary share (2013: 131.0 cents) was declared to shareholders registered on 12 December 2014 and was paid on 29 December 2014.

The directors have proposed a final dividend of 216 cents per ordinary share (2014: 196.0 cents) to shareholders registered on 31 July 2015 to be paid on 14 August 2015. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled to take place on 6 August 2015.

Preference dividends

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 20 for the period 1 April 2014 to 30 September 2014, amounting to 354.91885 cents per share, was declared to shareholders holding preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 21 for the period 1 October 2014 to 31 March 2015, amounting to 358.70081 cents per share, was declared to shareholders holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 4 for the period 1 April 2014 to 30 June 2014, amounting to 1256.38415 cents per share, was declared to shareholders holding preference shares on 25 July 2014 and was paid on 28 July 2014.

Preference dividend number 5 for the period 1 July 2014 to 30 September 2014, amounting to 1298.95394 cents per share, was declared to shareholders holding preference shares on 24 October 2014 and was paid on 27 October 2014.

Preference dividend number 6 for the period 1 October 2014 to 31 December 2014, amounting to 1303.46388 cents per share, was declared to shareholders holding preference shares on 23 January 2015 and was paid on 26 January 2015.

Preference dividend number 7 for the period 1 January 2015 to 31 March 2015, amounting to 1275.12771 cents per share, was declared to shareholders holding preference shares on 24 April 2015 and was paid on 28 April 2015.

Redeemable cumulative preference shares

Dividends amounting to R19 970 856 (2014: 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 104 and 105.

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 2015 annual general meeting.

OC Dickson, GFO Alford and MP Malungani did not offer themselves for re-election at the annual general meeting held on 7 August 2014.

Sir David Prosser retired from the board on 8 August 2014.

CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed as directors on 8 August 2014. On 1 November 2014 and 1 January 2015 respectively, ZBM Bassa and LC Bowden were appointed as directors.

The appointments of CR Jacobs, Lord Malloch-Brown, KL Shuenyane, ZBM Bassa and LC Bowden terminate at the end of the annual general meeting on 6 August 2015, but being eligible will offer themselves for election.

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 Investec's 2015 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 31 and on pages 92 to 103.

Share incentives

Details regarding options granted during the year are set out in Investec's 2015 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 independent 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 98 to 102.

Auditors

Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2015.

Contracts

Refer to Investec's 2015 integrated annual report.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 174 and 175.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 106.

Special resolutions

At the annual general meeting held on 7 August 2014, 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 shares 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

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 127 to 135.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 27 to 89.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 131 and 132 and in notes 23 and 52.

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 Investec's 2015 integrated annual report.

Political donations and expenditure

Invested Limited made political donations totalling R1 million in 2015 (2014: R2.5 million).

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 Investec's 2015 integrated annual report.

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 board of Investec Limited

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

18 June 2015

Income statements

For the year to 31 March R'million	Notes	Group 2015	2014	Company 2015	2014
Interest income	2	20 099	17 453	101	69
Interest expense	2	(14 619)	(12 700)	(47)	(31)
Net interest income		5 480	4 753	54	38
Fee and commission income	3	6 825	5 972	–	–
Fee and commission expense	3	(425)	(246)	(1)	(5)
Investment income	4	2 067	1 069	1 279	1 578
Trading income arising from					
– customer flow		327	432	–	–
– balance sheet management and other trading activities		233	309	(2)	42
Other operating income	5	29	42	–	–
Total operating income before impairment losses on loans and advances		14 536	12 331	1 330	1 653
Impairment losses on loans and advances	26	(456)	(636)	–	–
Operating income		14 080	11 695	1 330	1 653
Operating costs	6	(7 617)	(6 718)	111	64
Operating profit before goodwill		6 463	4 977	1 441	1 717
Impairment of goodwill	33	(17)	(27)	–	–
Operating profit		6 446	4 950	1 441	1 717
Gain on partial disposal of subsidiary		–	–	–	641
Operating costs arising from partial disposal of subsidiary		–	(31)	–	–
Profit before taxation		6 446	4 919	1 441	2 358
Taxation	8	(1 264)	(825)	(26)	42
Profit after taxation		5 182	4 094	1 415	2 400
Profit attributable to Asset Management non-controlling interests		(145)	(93)	–	–
Profit attributable to other non-controlling interests		(569)	(274)	–	–
Earnings attributable to shareholders		4 468	3 727	1 415	2 400

Statements of total comprehensive income

For the year to 31 March R'million	Notes	Group 2015	 2014	Company 2015	 2014
Profit after taxation		5 182	4 094	1 415	2 400
Other comprehensive income:					
Items that may be reclassified to the income statement:					
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(614)	(75)	–	–
Gains on realisation of available-for-sale assets recycled to the income statement	8	(60)	(2)	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	16	23	–	–
Foreign currency adjustments on translating foreign operations		602	482	–	–
Total comprehensive income		5 126	4 522	1 415	2 400
Total comprehensive income attributable to ordinary shareholders		4 046	3 836	1 164	2188
Total comprehensive income attributable to non-controlling interests		714	367	–	–
Total comprehensive income attributable to perpetual preference securities and other Additional Tier 1 securities		366	319	251	212
Total comprehensive income		5 126	4 522	1 415	2 400

Balance sheets

At 31 March R'million	Notes	Group 2015	Group 2014	Company 2015	Company 2014
Assets					
Cash and balances at central banks	17	6 261	5 927	–	–
Loans and advances to banks	18	35 867	35 169	34	31
Non-sovereign and non-bank cash placements		10 540	9 045	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	19	10 734	8 419	–	–
Sovereign debt securities	20	31 378	34 815	–	–
Bank debt securities	21	18 215	22 355	–	–
Other debt securities	22	9 037	10 112	–	3
Derivative financial instruments	23	15 177	12 299	–	–
Securities arising from trading activities	24	7 478	4 975	–	–
Investment portfolio	25	10 079	8 657	–	–
Loans and advances to customers	26	173 994	149 354	–	–
Own originated loans and advances to customers securitised	27	8 064	7 516	–	–
Other loans and advances	26	472	552	–	–
Other securitised assets	27	1 289	1 968	–	–
Interests in associated undertakings	28	60	52	–	–
Deferred taxation assets	29	462	457	–	–
Other assets	30	8 967	5 925	–	5
Property and equipment	31	706	752	–	–
Investment properties	32	9 925	7 857	–	–
Goodwill	33	101	118	–	–
Intangible assets	34	190	102	–	–
Investments in subsidiaries	35	–	–	15 854	15 720
Non-current assets classified as held for sale	13	732	731	–	–
		359 728	327 157	15 888	15 759
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	113 905	102 934	–	–
		473 633	430 091	15 888	15 759
Liabilities					
Deposits by banks		30 562	22 902	–	–
Derivative financial instruments	23	12 401	9 259	–	–
Other trading liabilities	37	11 380	8 247	–	–
Repurchase agreements and cash collateral on securities lent	19	16 556	17 686	–	–
Customer accounts (deposits)		221 377	204 903	–	–
Debt securities in issue	38	9 426	8 556	913	808
Liabilities arising on securitisation of own originated loans and advances	27	1 976	4 924	–	–
Liabilities arising on securitisation of other assets	27	–	156	–	–
Current taxation liabilities		1 747	1 770	118	107
Deferred taxation liabilities	29	531	463	–	–
Other liabilities	39	7 797	6 666	170	119
		313 753	285 532	1 201	1 034
Liabilities to customers under investment contracts	36	113 872	102 906	–	–
Insurance liabilities, including unit-linked liabilities	36	33	28	–	–
		427 658	388 466	1 201	1 034
Subordinated liabilities	40	10 449	10 498	–	–
		438 107	398 964	1 201	1 034
Equity					
Ordinary share capital	41	1	1	1	1
Share premium	43	10 297	10 045	10 347	10 094
Treasury shares	44	(971)	(952)	–	–
Other reserves		733	694	62	62
Retained income		18 751	16 702	3 727	4 568
Shareholders' equity excluding non-controlling interests		28 811	26 490	14 137	14 725
Other Additional Tier 1 securities in issue	45	550	–	550	–
Non-controlling interests	46	6 165	4 637	–	–
– Perpetual preferred securities issued by subsidiaries		1 534	1 534	–	–
– Non-controlling interests in partially held subsidiaries		4 631	3 103	–	–
Total equity		35 526	31 127	14 687	14 725
Total liabilities and equity		473 633	430 091	15 888	15 759

Annual financial statements

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Cash flow statements

For the year to 31 March R'million	Notes	Group 2015	 2014	Company 2015	 2014
Profit before taxation adjusted for non-cash items	48	7 422	6 010	762	1 429
Taxation paid		(1 295)	(529)	(15)	(98)
(Increase)/decrease in operating assets	48	(39 027)	(36 959)	8	523
Increase in operating liabilities	48	37 651	40 709	156	403
Net cash inflow from operating activities		4 751	9 231	911	2 257
Cash flow on acquisition of property, equipment and intangible assets		(247)	(373)	–	–
Cash flow on disposal of property, equipment and intangible assets		28	62	–	–
Net cash outflow from investing activities		(219)	(311)	–	–
Dividends paid to ordinary shareholders		(1 263)	(1 578)	(1 326)	(1 620)
Dividends paid to other equity holders		(796)	(424)	(251)	(212)
Proceeds on issue of shares, net of related costs		252	231	253	231
Proceeds on issue of other Additional Tier 1 securities in issue		550	–	550	–
Cash flow on net acquisition of treasury shares, net of related costs		(1 205)	(770)	–	–
Issue of shares to non-controlling interests		429	707	–	–
Proceeds from partial disposal of subsidiaries		798	668	–	–
Proceeds from subordinated debt raised		–	810	–	–
Repayment of subordinated debt		(250)	(2 807)	–	–
Net decrease in subsidiaries and loans to group companies		–	–	(134)	(655)
Net cash outflow from financing activities		(1 485)	(3 163)	(908)	(2 256)
Effects of exchange rates on cash and cash equivalents		226	129	–	–
Net increase in cash and cash equivalents		3 273	5 886	3	1
Cash and cash equivalents at the beginning of the year		22 958	17 072	31	30
Cash and cash equivalents at the end of the year		26 231	22 958	34	31
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		6 261	5 927	–	–
On demand loans and advances to banks		9 430	7 986	34	31
Non-sovereign and non-bank cash placements		10 540	9 045	–	–
Cash and cash equivalents at the end of the year		26 231	22 958	34	31

Cash and cash equivalents all 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 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	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income for the year	–	–	–
Share-based payments adjustments	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–
Dividends paid to non-controlling interests	–	–	–
Issue of ordinary shares	–	231	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Movement in non-controlling interest due to capital conversion of subsidiary	–	–	–
Partial disposal of group operations	–	–	–
Movement of treasury shares	–	–	(771)
Transfer from retained income to regulatory reserve	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	773
At 31 March 2014	1	10 045	(952)
Movement in reserves 1 April 2014 – 31 March 2015			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income for the year	–	–	–
Share-based payments adjustments	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends declared to other equity holders including other Additional Tier 1 securities	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–
Dividends paid to non-controlling interests	–	–	–
Issue of ordinary shares	–	252	–
Issue of other Additional Tier 1 securities in issue	–	–	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Partial disposal of group operations	–	–	–
Movement of treasury shares	–	–	(1 205)
Transfer from retained income to regulatory reserve	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	1 186
At 31 March 2015	1	10 297	(971)

		Other reserves							
Capital reserve account	Available-for-sale reserves	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserve	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Other Additional Tier 1 securities in issue	Total
61	59	319	(446)	210	13 938	23 002	1 544	–	24 546
–	–	–	–	–	3 727	3 727	367	–	4 094
–	–	–	(75)	–	–	(75)	–	–	(75)
–	(2)	–	–	–	–	(2)	–	–	(2)
–	23	–	–	–	–	23	–	–	23
–	–	–	–	482	–	482	–	–	482
–	21	–	(75)	482	3 727	4 155	367	–	4 522
–	–	–	–	–	485	485	–	–	485
–	–	–	–	–	(1 578)	(1 578)	–	–	(1 578)
–	–	–	–	–	(319)	(319)	108	–	(211)
–	–	–	–	–	–	–	(108)	–	(108)
–	–	–	–	–	–	–	(105)	–	(105)
–	–	–	–	–	–	231	–	–	231
–	–	–	–	–	–	–	623	–	623
–	–	–	–	–	–	–	2 044	–	2 044
–	–	–	–	–	1 285	1 285	164	–	1 449
–	–	–	–	–	–	(771)	–	–	(771)
–	–	63	–	–	(63)	–	–	–	–
–	–	–	–	–	(773)	–	–	–	–
61	80	382	(521)	692	16 702	26 490	4 637	–	31 127
–	–	–	–	–	4 468	4 468	714	–	5 182
–	–	–	(614)	–	–	(614)	–	–	(614)
–	(60)	–	–	–	–	(60)	–	–	(60)
–	16	–	–	–	–	16	–	–	16
–	–	–	–	602	–	602	–	–	602
–	(44)	–	(614)	602	4 468	4 412	714	–	5 126
–	–	–	–	–	506	506	–	–	506
–	–	–	–	–	(1 263)	(1 263)	–	–	(1 263)
–	–	–	–	–	(366)	(366)	114	–	(252)
–	–	–	–	–	–	–	(114)	–	(114)
–	–	–	–	–	–	–	(429)	–	(429)
–	–	–	–	–	–	252	–	–	252
–	–	–	–	–	–	–	–	550	550
–	–	–	–	–	(45)	(45)	475	–	430
–	–	–	–	–	30	30	768	–	798
–	–	–	–	–	–	(1 205)	–	–	(1 205)
–	–	95	–	–	(95)	–	–	–	–
–	–	–	–	–	(1 186)	–	–	–	–
61	36	477	(1 135)	1 294	18 751	28 811	6 165	550	35 526

R'million	Ordinary share capital	Share premium	Capital reserve account	Retained income	Other Additional Tier 1 securities in issue	Total equity
Company						
At 1 April 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 for the year	–	–	–	2 400	–	2 400
Share-based payment adjustments	–	–	–	(288)	–	(288)
Dividends paid to ordinary shareholders	–	–	–	(1 620)	–	(1 620)
Dividends paid to perpetual preference shareholders	–	–	–	(212)	–	(212)
Issue of ordinary shares	–	231	–	–	–	231
At 31 March 2014	1	10 094	62	4 568	–	14 725
Movement in reserves 1 April 2014 – 31 March 2015						
Profit after taxation	–	–	–	1 415	–	1 415
Total comprehensive income for the year	–	–	–	1 415	–	1 415
Issue of other Additional Tier 1 securities in issue	–	–	–	–	550	550
Share-based payment adjustments	–	–	–	(679)	–	(679)
Dividends paid to ordinary shareholders	–	–	–	(1 326)	–	(1 326)
Dividends paid to perpetual preference shareholders including other Additional Tier 1 securities	–	–	–	(251)	–	(251)
Issue of ordinary shares	–	253	–	–	–	253
At 31 March 2015	1	10 347	62	3 727	550	14 687

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. '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 27 to 89.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report in Investec's 2015 integrated annual report.

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. The group also holds investments, e.g. private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group 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. 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.

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.

Investments in subsidiaries (including loan advances to subsidiaries) are accounted for at cost less impairment losses in the company financial statements.

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 chief operating decision-makers which include members of 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. Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group. Historically, these numbers were reflected solely in the results of the Specialist Bank and the group has now decided to reflect these separately.

For further detail on the group's segmental reporting basis refer to pages 4 and 5.

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 remeasured 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 in the income statement. If the contingent consideration is classified as equity, it will not be remeasured 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 the share based payment expense 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:

- 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 advisory and management fees are accrued over the period to which the income relates. Performance fees are recognised when they become receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

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 profit is shown net of the funding costs of the underlying positions and includes the unrealised profit 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. Transfers are deemed to occur at the end of each semi-annual reporting period.

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 profit, 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 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.

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 has the ability to affect those returns through its power over the investee.

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. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

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 debt instruments 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 while holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned while 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 profit 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 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 remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

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 the foreign currency translation reserve 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 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.

Trading properties

Trading 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.

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 profit 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 at 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 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 was issued in July 2014 and will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is from 1 January 2018 with early adoption permitted. However, IFRS 9 has not yet been endorsed by the European Union. 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

- Impairment methodology – The key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

IFRS 9 also includes guidance on hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

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.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2017 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The group does not anticipate a material impact on the adoption of this standard.

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 primarily in the private equity and direct investments portfolios and embedded derivatives. 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 25 with further analysis contained in the risk management section on pages 56 to 58.

- 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 32 for the carrying value of investment property with further analysis contained in the risk management section on pages 56 to 58.

- 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 32 to 55 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	Group costs	Total group
1. Consolidated segmental analysis					
Group					
2015					
Segmental business analysis – income statement					
Net interest income	71	6	5 403	–	5 480
Net fee and commission income	2 877	1 087	2 436	–	6 400
Investment income	–	12	2 055	–	2 067
Trading income arising from					
– customer flow	–	2	325	–	327
– balance sheet management and other trading activities	–	4	229	–	233
Other operating income	28	–	1	–	29
Total operating income before impairment on loans and advances	2 976	1 111	10 449	–	14 536
Impairment losses on loans and advances	–	–	(456)	–	(456)
Operating income	2 976	1 111	9 993		14 080
Operating costs	(1 666)	(721)	(5 065)	(165)	(7 617)
Operating profit before goodwill and non-controlling interests	1 310	390	4 928	(165)	6 463
Profit attributable to non-controlling interests	(145)	–	(569)	–	(714)
Profit before goodwill, taxation after non-controlling interests	1 165	390	4 359	(165)	5 749
Selected returns and key statistics					
Cost to income ratio	56.0%	64.9%	48.5%		52.4%
Total assets (R'million)	2 304	12 439	458 890		473 633
2014					
Segmental business analysis – income statement					
Net interest income/(expense)	58	(4)	4 699	–	4 753
Net fee and commission income	2 643	933	2 150	–	5 726
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 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)	(4 418)	(141)	(6 718)
Operating profit before goodwill and non-controlling interests	1 227	323	3 568	(141)	4 977
Profit attributable to non-controlling interests	(93)	–	(274)	–	(367)
Profit before goodwill, taxation after non-controlling interests	1 134	323	3 294	(141)	4 610
Selected returns and key statistics					
Cost to income ratio	55.5%	66.1%	51.2%		54.5%
Total assets (R'million)	2 341	8 865	418 885		430 091

The company's activities mainly comprise 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. Net interest income

For the year to 31 March R'million	Notes	Group 2015 Balance sheet value	Group 2015 Interest income	Group 2014 Balance sheet value	Group 2014 Interest income	Company 2015 Balance sheet value	Company 2015 Interest income	Company 2014 Balance sheet value	Company 2014 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	112 995	4 916	115 730	4 679	34	2	31	1
Core loans and advances	2	182 058	14 497	156 870	12 102	–	–	–	–
Private client		120 912	9 397	105 769	7 722	–	–	–	–
Corporate, institutional and other clients		61 146	5 100	51 101	4 380	–	–	–	–
Other debt securities and other loans and advances		9 509	425	10 664	519	–	–	3	15
Other interest-earning assets	3	1 289	261	1 968	153	843	99	309	53
Total interest-earning assets		305 851	20 099	285 232	17 453	877	101	343	69

For the year to 31 March R'million	Notes	Group 2015 Balance sheet value	Group 2015 Interest expense	Group 2014 Balance sheet value	Group 2014 Interest expense	Company 2015 Balance sheet value	Company 2015 Interest expense	Company 2014 Balance sheet value	Company 2014 Interest expense
Deposits by banks and other debt-related securities	4	56 544	(926)	49 144	(981)	913	(25)	808	(31)
Customer accounts		221 377	(12 626)	204 903	(10 305)	–	–	–	–
Other interest-bearing liabilities	5	1 976	(291)	5 080	(653)	–	(22)	–	–
Subordinated liabilities		10 449	(776)	10 498	(761)	–	–	–	–
Total interest-bearing liabilities		290 346	(14 619)	269 625	(12 700)	913	(47)	808	(31)
Net interest income			5 480		4 753		54		38

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

For the year to 31 March R'million	Group 2015	 2014	Company 2015	 2014
3. Net fee and commission income				
Asset management and wealth management businesses net fee and commission income	3 964	3 576	–	–
Fund management fees/fees for assets under management	3 588	3 086	–	–
Private client transactional fees	576	525	–	–
Fee and commission expense	(200)	(35)	–	–
Specialist Banking net fee and commission income/(expense)	2 436	2 150	(1)	(5)
Corporate and institutional transactional and advisory services	2 076	1 913	–	–
Private client transactional fees	585	448	–	–
Fee and commission expense	(225)	(211)	(1)	(5)
Net fee and commission income/(expense)	6 400	5 726	(1)	(5)
Annuity fees (net of fees payable)	4 940	4 158	(1)	(5)
Deal fees	1 460	1 568	–	–

Trust and fiduciary fees amounts to R4.4 million (2014: R22.2 million) and is included in private client transactional fees.

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					
The following table analyses investment income generated by the asset portfolio shown on the balance sheet					
2015					
Group					
Realised	753	68	352	2	1 175
Unrealised	490	(81)	181	6	596
Dividend income	442	–	–	–	442
Funding and other net related (costs)/income	(236)	–	–	90	(146)
	1 449	(13)	533	98	2 067
Company					
Dividend income^	–	–	–	1 279	1 279
	–	–	–	1 279	1 279

* *Including embedded derivatives (warrants and profit shares).*
^ *Dividends from investment in subsidiaries.*

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)					
2014					
Group					
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
Company					
Unrealised	(41)	–	–	–	(41)
Dividend income^	–	–	–	1 619	1 619
	(41)	–	–	1 619	1 578

^ *Dividends from investment in subsidiaries.*

For the year to 31 March R'million	Group 2015	Group 2014
5. Other operating income		
Losses on realisation of properties	–	(7)
Unrealised gains on other investments	29	49
	29	42

For the year to 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
6. Operating costs				
Staff costs	5 256	4 520	(114)	(68)
– Salaries and wages (including directors' remuneration)^	4 378	3 728	50	–
– Training and other costs	108	120	–	–
– Share-based payment expense/(income)	506	451	(164)	(68)
– Social security costs	54	41	–	–
– Pensions and provident fund contributions	210	180	–	–
Premises (excluding depreciation)	448	455	–	–
Equipment (excluding depreciation)	426	399	–	–
Business expenses*	908	833	3	4
Marketing expenses	401	326	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	178	185	–	–
	7 617	6 718	(111)	(64)
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided in the group:				
Ernst & Young fees				
Fees payable to the company's auditors for the audit of the company accounts	13	11	6	4
Fees payable to the company's auditors and its associates for other services:				
– Audit of the company's subsidiaries pursuant to legislation	22	21	–	–
– Other services	–	2	–	–
	35	34	6	4
KPMG fees				
Fees payable to the company's auditors for the audit of the company accounts	18	17	3	2
Fees payable to the company's auditors and its associates for other services:				
– Audit of the company's subsidiaries pursuant to legislation	12	11	3	3
– Other services	3	4	2	3
	33	32	8	8
Total	68	66	14	12

^ *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 140 to 188 in volume one of Investec's 2015 integrated annual report.*

* *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 long-term share incentive plans for employees, the majority of which are on an equity-settled basis. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec group'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.				
Equity-settled share-based payments expense				
2015				
Total income statement charge	38	63	405	506
2014				
Total income statement charge	84	46	355	485

Number of share options For the year to 31 March	Group 2015	 2014
Details of options outstanding during the year		
Outstanding at the beginning of the year	44 475 185	44 300 546
Granted during the year	10 719 215	13 549 614
Exercised during the year^	(12 306 518)	(11 643 554)
Expired during the year	(1 253 909)	(1 731 421)
Outstanding at the end of the year	41 633 973	44 475 185
Exercisable at the end of the year	87 083	5 332

^ *The weighted average share price for options exercised during the year was R96.85 (2014: R68.06).*

For information on the share options granted to directors, refer to pages 157 to 159 in volume 1 of Investec's 2015 integrated annual report.

At 31 March	Group 2015	Group 2014
7. Share-based payments (continued)		
Long-term incentive grants with no strike price		
Weighted average remaining contractual life	2.15 years	2.72 years
Weighted average fair value of options and long-term grants at measurement date	R69.52	R51.73
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 grant	R90.00 – R100.57	R66.84 – R71.20
– Exercise price	R nil	R nil
– Expected volatility	25.24% – 30%	30%
– Option life	1 – 5 years	3 – 6 years
– Expected dividend yields	4.45% – 4.62%	3.89% – 5.08%
– Risk-free rate	6.78 % – 7.18%	6.04 % – 7.08%

Expected volatility was determined based on the implied volatility levels quoted by the 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 the year to 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
8. Taxation				
Southern Africa				
Current taxation	1 253	658	26	(42)
In respect of current year	1 253	756	26	74
In respect of prior year adjustments	–	(98)	–	(116)
Capital gains taxation	17	2	–	–
Deferred taxation	(36)	146	–	–
Total South African taxation	1 234	806	26	(42)
Foreign current taxation				
Mauritius	25	15	–	–
Botswana	5	4	–	–
Total foreign taxation	30	19	–	–
Total taxation charge/(recovery) as per the income statement	1 264	825	26	(42)
Tax rate reconciliation:				
Profit before taxation as per income statement	6 446	4 919	1 441	2 358
Total taxation charge as per income statement	1 264	825	26	(42)
Effective rate of taxation	19.6%	16.8%	1.8%	(1.8%)
The standard rate of South African normal taxation has been affected by:				
Dividend income	4.7%	6.6%	24.8%	18.9%
Qualifying distribution	3.8%	2.9%	–	–
Other Additional Tier 1 securities interest	0.1%	–	0.6%	–
Foreign earnings*	2.3%	2.2%	–	–
Impairment of goodwill	(0.1%)	(0.2%)	–	–
Prior year taxation adjustments	–	4.7%	–	6.0%
Assessed losses	–	(0.8%)	–	–
Other permanent differences	(2.4%)	(4.2%)	0.8%	4.9%
	28.0%	28.0%	28.0%	28.0%

* *Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.*

	Group 2015	Group 2014
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(614)	(75)
– Pre-taxation	(571)	(175)
– Deferred taxation effect	(74)	(19)
– Current taxation effect	31	119
Fair value movements on available-for-sale assets taken directly to other comprehensive income	16	23
– Pre-taxation	64	5
– Deferred taxation effect	(48)	18
Gains on realisation of available-for-sale assets recycled through the income statement	(60)	(2)
– Pre-taxation	(83)	(3)
– Deferred taxation effect	23	1

For the year to 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
9. Headline earnings				
Earnings attributable to shareholders	4 468	3 727	1 415	2 400
Dividends paid to perpetual preference shareholders and other Additional Tier 1 securities	(366)	(319)	(251)	(212)
Earnings attributable to ordinary shareholders	4 102	3 408	1 164	2 188
Headline adjustments:	(228)	(197)	–	(641)
Impairment of goodwill	17	27	–	–
Revaluation of investment properties, net of taxation*	(185)	(225)	–	–
Gain on realisation of available-for-sale assets recycled to the income statement, net of taxation*	(60)	1	–	–
Profit on partial disposal/disposal of subsidiary	–	–	–	(641)
Headline earnings attributable to ordinary shareholders	3 874	3 211	1 164	1 547

* *Taxation on headline earnings adjustments amounted to R76.9 million (year to 31 March 2014: R55.1 million) with no impact on earnings attributable to non-controlling interests.*

	Group				Company			
	2015		2014		2015		2014	
For the year to 31 March	Cents per share	Total R'million	Cents per share	Total R'million	Cents per share	Total R'million	Cents per share	Total R'million
10. Dividends								
Ordinary dividend								
Final dividend for prior year**	196.00	874	144.00	785	196.00	909	144.00	807
Interim dividend for current year	146.00	389	131.00	793	146.00	417	131.00	813
Total dividend attributable to ordinary shareholders recognised in current financial year	342.00	1 263	275.00	1 578	342.00	1 326	275	1 620
Perpetual preference dividend								
Final dividend for prior year	336.12	164	329.62	157	336.12	108	329.62	104
Interim dividend for current year	354.92	173	331.43	162	354.92	114	331.43	108
Total dividend attributable to perpetual preference shareholders recognised in current financial year	691.04	337	661.05	319	691.04	222	661.05	212

** *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 2015 of 216 cents per ordinary share. The final dividend will be payable on Friday, 14 August 2015 to shareholders on the register at the close of business on Friday, 31 July 2015. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 6 August 2015.

The directors have declared a final dividend in respect of the financial year ended 31 March 2015 of 358.70081 (2014: 336.11555 cents per Investec Limited perpetual preference share and 384.34536 cents (2014: 360.14541 cents) per Investec Bank Limited perpetual preference share. The final dividend will be payable on Monday, 22 June 2015 to shareholders on the register at the close of business on Friday, 12 June 2015.

For the year to 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
10. Dividends (continued)				
Dividends attributable to other Additional Tier 1 securities in issue	29	–	29	–
The R550 000 000 other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25% on a quarterly basis as set out in note 45				
Total perpetual preference dividend and other Additional Tier 1 securities	366	319	251	212

For the year to 31 March R'million	Group 2015	Group 2014^
11. Miscellaneous items		
Operating lease expenses recognised in operating costs:		
Minimum lease payments	327	340
	327	340
Operating lease income recognised in income:		
Minimum lease payments	645	427
	645	427

^ *In the prior year, 'minimum lease payments' was incorrectly reflected as R393 million. This has been corrected in the note with no impact on the income statement.*

The majority of the operating lease expenses in the group relate to leases on property. Rental income from leasing properties is included in 'Fee and commission income'.

For the year to 31 March R'million	Group 2015	Group 2014
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	868	503
One to five years	2 598	1 958
Later than five years	1 138	635
	4 604	3 096

The group leases properties to third parties under operating lease arrangements. The leases typically run for a period of three years or longer. Lessees are entitled to the use of the properties leased to them for their own business purposes for the duration of the contracted lease period.

For the year to 31 March R'million	At fair value through profit or loss Trading	 Designated at inception
12. Analysis of income and impairments by category of financial instruments		
Group		
2015		
Net interest income	468	786
Fee and commission income	19	8
Fee and commission expense	–	(14)
Investment income	–	1 351
Trading income arising from		
– customer flow	342	2
– balance sheet management and other trading activities	479	(237)
Other operating income	–	28
Total operating income before impairment losses on loans and advances	1 308	1 924
Impairment losses on loans and advances	–	–
Operating income	1 308	1 924
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
Company		
2015		
Net interest income	–	–
Fee and commission expense	–	–
Investment income	–	–
Trading income arising from		
– balance sheet management and other trading income	–	–
Operating income	–	–
2014		
Net interest income	–	–
Fee and commission expense	–	–
Investment income	–	–
Trading income arising from		
– balance sheet management and other trading activities	–	–
Operating income	–	–

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
831	15 704	641	(12 950)	–	–	5 480
–	457	–	36	832	5 473	6 825
–	(77)	–	(64)	(2)	(268)	(425)
(17)	207	66	–	460	–	2 067
–	–	–	(17)	–	–	327
497	(8)	–	(498)	–	–	233
–	–	–	–	1	–	29
1 311	16 283	707	(13 493)	1 291	5 205	14 536
–	(456)	–	–	–	–	(456)
1 311	15 827	707	(13 493)	1 291	5 205	14 080
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
–	2	–	(25)	–	77	54
–	–	–	–	–	(1)	(1)
–	–	–	–	1 279	–	1 279
–	(2)	–	–	–	–	(2)
–	–	–	(25)	1 279	76	1 330
–	45	–	(7)	–	–	38
–	–	–	–	–	(5)	(5)
–	–	–	–	1 578	–	1 578
–	42	–	–	–	–	42
–	87	–	(7)	1 578	(5)	1 653

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
13. Analysis of financial assets and liabilities by measurement basis			
Group			
2015			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	974	–
Non-sovereign and non-bank cash placements	3	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	10 095	–	–
Sovereign debt securities	–	23 337	4 487
Bank debt securities	–	5 368	3 132
Other debt securities	–	278	6 787
Derivative financial instruments*	15 177	–	–
Securities arising from trading activities	7 478	–	–
Investment portfolio	–	10 039	40
Loans and advances to customers	–	12 034	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	234	253	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
Non-current assets classified as held for sale^	–	–	–
	32 987	52 283	14 446
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	32 987	52 283	14 446
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	12 401	–	–
Other trading liabilities	11 380	–	–
Repurchase agreements and cash collateral on securities lent	1 148	–	–
Customer accounts (deposits)	–	16 609	–
Debt securities in issue	–	3 366	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	1 790	252	–
	26 719	20 227	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	26 719	20 227	–
Subordinated liabilities	–	–	–
	26 719	20 227	–

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

^ *Non-current assets classified as 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.*

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 at fair value (refer to note 36)	Non-financial instruments	Total
–	–	6 261	–	6 261	–	–	6 261
974	–	34 893	–	34 893	–	–	35 867
3	–	10 537	–	10 537	–	–	10 540
10 095	–	639	–	639	–	–	10 734
27 824	3 554	–	–	3 554	–	–	31 378
8 500	8 426	1 289	–	9 715	–	–	18 215
7 065	552	1 420	–	1 972	–	–	9 037
15 177	–	–	–	–	–	–	15 177
7 478	–	–	–	–	–	–	7 478
10 079	–	–	–	–	–	–	10 079
12 034	–	161 960	–	161 960	–	–	173 994
–	–	8 064	–	8 064	–	–	8 064
–	–	472	–	472	–	–	472
–	–	1 289	–	1 289	–	–	1 289
–	–	–	–	–	–	60	60
–	–	–	–	–	–	462	462
487	–	6 545	–	6 545	–	1 935	8 967
–	–	–	–	–	–	706	706
–	–	–	–	–	–	9 925	9 925
–	–	–	–	–	–	101	101
–	–	–	–	–	–	190	190
–	–	–	–	–	–	732	732
99 716	12 532	233 369	–	245 901	–	14 111	359 728
–	–	–	–	–	113 905	–	113 905
99 716	12 532	233 369	–	245 901	113 905	14 111	473 633
–	–	–	30 562	30 562	–	–	30 562
12 401	–	–	–	–	–	–	12 401
11 380	–	–	–	–	–	–	11 380
1 148	–	–	15 408	15 408	–	–	16 556
16 609	–	–	204 768	204 768	–	–	221 377
3 366	–	–	6 060	6 060	–	–	9 426
–	–	–	1 976	1 976	–	–	1 976
–	–	–	–	–	–	1 747	1 747
–	–	–	–	–	–	531	531
2 042	–	–	2 809	2 809	–	2 946	7 797
46 946	–	–	261 583	261 583	–	5 224	313 753
–	–	–	–	–	113 872	–	113 872
–	–	–	–	–	33	–	33
46 946	–	–	261 583	261 583	113 905	5 224	427 658
–	–	–	10 449	10 449	–	–	10 449
46 946	–	–	272 032	272 032	113 905	5 224	438 107

13. Analysis of financial assets and liabilities by measurement basis (continued)

At 31 March R'million	At fair value through profit or loss Trading	 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
Other 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 classified as 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.*

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 at fair value (refer to note 36)	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

13. 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							
2015							
Assets							
Loans and advances to banks	–	–	34	–	34	–	34
Investment in subsidiaries	–	–	843	–	–	15 011	15 854
	–	–	877	–	34	15 011	15 888
Liabilities							
Debt securities in issue	–	–	–	913	913	–	913
Current taxation liabilities	–	–	–	–	–	118	118
Other liabilities	–	–	–	130	130	40	170
	–	–	–	1 043	1 043	158	1 201
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

14. Fair value hierarchy

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

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

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

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

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 of related assets is attributable to policyholders. These are all level 1 assets.

Fair value disclosures on investment properties are included in the 'Investment properties' note 32.

At 31 March R'million	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Group				
2015				
Assets				
Loans and advances to banks	974	974	–	–
Non-sovereign and non-bank cash placements	3	–	3	–
Reverse repurchase agreements and cash collateral on securities borrowed	10 095	–	10 095	–
Sovereign debt securities	27 824	27 804	20	–
Bank debt securities	8 500	3 233	5 267	–
Other debt securities	7 065	6 787	121	157
Derivative financial instruments	15 177	–	15 422	(245)
Securities arising from trading activities	7 478	7 478	–	–
Investment portfolio	10 079	1 157	476	8 446
Loans and advances to customers	12 034	–	12 034	–
Other assets	487	487	–	–
	99 716	47 920	43 438	8 358
Liabilities				
Derivative financial instruments	12 401	–	12 401	–
Other trading liabilities	11 380	10 583	797	–
Repurchase agreements and cash collateral on securities lent	1 148	–	1 148	–
Customer accounts (deposits)	16 609	–	16 609	–
Debt securities in issue	3 366	–	3 366	–
Other liabilities	2 042	1 352	690	–
	46 946	11 935	35 011	–
Net assets	52 770	35 985	8 427	8 358

At 31 March R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
14. Fair value hierarchy (continued)				
2014				
Group				
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
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

14. 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.

Level 2 financial assets and financial liabilities

The following table below sets out the group's principal valuation techniques as at 31 March 2015 used in determining the fair value of the financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Loans and advances to banks	Discounted cash flow model	Discount rates
Non-sovereign and non-bank cash placements	Discounted cash flow model	Discount rates
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates Volatilities
Sovereign debt securities	Discounted cash flow model	Discount rates
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model, net asset value model Comparable quoted inputs	Discount rate and fund unit price Net assets
Loans and advances to customers	Discounted cash flow model	Discount rates
Other assets	Discounted cash flow model	Discount rates
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Discount rates
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Customer accounts (deposits)	Discounted cash flow model	Interest rate swap curves
Debt securities in issue	Discounted cash flow model	Interest rate swap curves
Other liabilities	Discounted cash flow model	Discount rates

14. Fair value hierarchy (continued)

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

For the year to 31 March R'million	Fair value through profit and loss instruments
Group	
Balance as at 1 April 2013	83
Transfers due to application of IFRS 13	7 440
Total gains or losses recognised in the income statement	216
Purchases	832
Sales	(363)
Issues	(175)
Settlements	–
Transfers into level 3	437
Transfers out of level 3	(126)
Transfers into non-current assets held for sale	(731)
Foreign exchange adjustments	19
Balance as at 31 March 2014	7 632
Total gains or losses recognised in the income statement	726
Purchases	788
Sales	(532)
Issues	(110)
Settlements	(161)
Transfers into level 3	15
Transfers out of level 3	(32)
Foreign exchange adjustments	32
Balance as at 31 March 2015	8 358

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

14. Fair value hierarchy (continued)

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

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2015			
Total gains or (losses) recognised in the income statement for the year			
Investment income	647	267	380
Trading income arising from customer flow	97	–	97
Trading loss arising from balance sheet management and other trading activities	(18)	–	(18)
	726	267	459
2014			
Total gains or (losses) recognised in the income statement for the year			
Net interest expense	(2)	(2)	–
Investment income	161	19	142
Trading income arising from balance sheet management and other trading activities	57	57	–
	216	74	142

14. 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 2015 R'million	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes	Unfavourable changes
Assets						
Other debt securities	157				7	(40)
		Discounted cash flows	Discount rates	(3%)/3%	7	(40)
Derivative financial instruments	(245)				195	(118)
		Black-Scholes	Volatilities	(25%)/40%	58	(25)
		Discounted cash flows	Credit spreads	(50bps)/50bps	23	(12)
		Price earnings	Change in PE multiple	*	69	(73)
		Other	Various	**	45	(8)
Investment portfolio					2 143	(1 309)
	8 446	Price earnings	Change in PE multiple	*	1 814	(985)
		Other	Various	**	329	(324)
Total	8 358				2 345	(1 467)

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

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

At 31 March 2014 R'million	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes	Unfavourable changes
Assets						
Other debt securities	258				12	(67)
		Discounted cash flows	Discount rates	(30%)/2%	12	(67)
Derivative financial instruments	(246)				134	(77)
		Black-Scholes	Volatilities	(25%)/50%	74	(41)
		Discounted cash flows	Credit spreads	(50bps)/50bps	4	(12)
		Other^	Various^	^	56	(24)
Investment portfolio					1 561	(853)
	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 by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

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14. Fair value hierarchy (continued)

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 a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

Discount rates

Discount rates are the interest rates used to discount future cash flows in the discounted 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.

Price-earnings multiple

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

15. Fair value of financial instruments at amortised cost

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
2015					
Assets					
Cash and balances at central banks	6 261	6 261	^	^	^
Loans and advances to banks	34 893	34 893	^	^	^
Non-sovereign and non-bank cash placements	10 537	10 543	10 543	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	639	639	^	^	^
Sovereign debt securities	3 554	3 648	3 648	–	–
Bank debt securities	9 715	9 993	8 704	1 289	–
Other debt securities	1 972	2 065	606	1 459	–
Loans and advances to customers*	161 960	162 073	2 365	140 526	19 182
Own originated loans and advances to customers securitised	8 064	8 064	^	^	^
Other loans and advances	472	472	^	^	^
Other securitised assets	1 289	1 289	^	^	^
Other assets	6 545	6 545	^	^	^
	245 901	246 485			
Liabilities					
Deposits by banks	30 562	30 775	569	30 205	–
Repurchase agreements and cash collateral on securities lent	15 408	15 395	–	15 395	–
Customer accounts (deposits)	204 768	206 029	22 727	183 302	–
Debt securities in issue	6 060	6 075	–	6 075	–
Liabilities arising on securitisation of own originated loans and advances	1 976	1 976	^	^	^
Other liabilities	2 809	2 809	^	^	^
Subordinated liabilities	10 449	10 593	10 593	–	–
	272 032	273 652			

^ *Refer to note on next page.*

* *Management has re-evaluated the significance of the unobservable inputs for certain loans and advances and have concluded that it is appropriate to transfer these instruments to a level 2 valuation.*

At 31 March R'million	Carrying value	Fair value	Fair value category Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost (continued)					
Group					
2014					
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			
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			

^ Financial instruments for which fair value approximates carrying value

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 amount approximates their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

15. Fair value of financial instruments at amortised cost (continued)

At 31 March R'million	Carrying value	Fair value	Fair value category Level 1	Level 2	Level 3
Company					
2015					
Assets					
Loans and advances to banks	34	34	^	^	^
Investment in subsidiaries	843	843	^	^	^
	877	877			
Liabilities					
Debt securities in issue	913	913	^	^	^
Other liabilities	130	130	^	^	^
	1 043	1 043			
2014					
Assets					
Loans and advances to banks	31	31	^	^	^
Other debt securities	3	3	^	^	^
Other assets	5	5	^	^	^
	39	39			
Liabilities					
Debt securities in issue	808	808	^	^	^
Other liabilities	78	78	^	^	^
	886	886			

^ Financial instruments for which fair value approximates carrying value

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 amount approximates their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate 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 as level 2 and level 3. A description of the nature of the techniques used to calculate valuations based on observable inputs, is set out in the table below:

	Valuation basics/techniques	Main inputs
Assets		
Bank debt securities	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates
Loans and advances to customers	Discounted cash flow model	Discount rates
Liabilities		
Deposits by banks	Discounted cash flow model	Interest rate yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Interest rate yield curve
Customer accounts (deposits)	Discounted cash flow model	Interest rate yield curve
Loans and advances to customers	Discounted cash flow model	Discount rates

At 31 March R'million	Carrying value	Fair value adjustment Year to date	Cumulative	Maximum exposure to credit risk
16. Designated at fair value: loans and receivables and financial liabilities				
Group				
Loans and receivables designated at fair value through profit or loss				
2015				
Loans and advances to customers	12 034	112	267	11 863
	12 034	112	267	11 863
2014*				
Other debt securities	59	58	(166)	59
Loans and advances to customers	13 008	(771)	177	13 008
	13 067	(713)	11	13 067

* *Restated – Loans and advances to banks designated at fair value are primarily money market accounts and do not bear the characteristics of loans and receivables.*

At 31 March R'million	Group 2015	2014
Fair value adjustments to loans and receivables attributable to credit risk		
– year to date	–	48
– cumulative	–	(46)

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	Cumulative
Group				
Financial liabilities designated at fair value through profit or loss				
2015				
Customer accounts (deposits)	16 609	16 503	(228)	106
Debt securities in issue	3 366	3 382	(19)	(15)
Other liabilities	252	252	23	252
	20 227	20 137	(224)	343
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)

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 cumulative changes in fair value of financial liabilities attributable to credit risk were both Rnil (2014: Rnil).

At 31 March R'million	Group 2015	Group 2014
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	6 148	5 751
Other	113	176
	6 261	5 927

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
18. Loans and advances to banks				
The country risk of the loans and advances to banks lies in the following geographies:				
South Africa	14 650	16 650	34	31
United Kingdom	6 207	4 511	–	–
Europe (excluding UK)	8 339	8 685	–	–
Australia	129	2 924	–	–
United States of America	5 301	89	–	–
Other	1 241	2 310	–	–
	35 867	35 169	34	31

At 31 March R'million	Group 2015	Group 2014
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	6 221	3 389
Cash collateral on securities borrowed	4 513	5 030
	10 734	8 419
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. R7.0 billion (2014: R7.1 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	16 556	17 329
Cash collateral on securities lent	–	357
	16 556	17 686
The assets transferred and not derecognised in the above repurchase agreements are valued at R16.0 billion (2014: R18.8 billion). They are pledged as security for the term of the underlying repurchase agreement.		

At 31 March R'million	Group 2015	Group 2014
20. Sovereign debt securities		
Bonds	11 990	9 405
Government securities	20	–
Treasury bills	19 368	25 410
	31 378	34 815
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	31 358	34 815
Other	20	–
	31 378	34 815

At 31 March R'million	Group 2015	Group 2014
21. Bank debt securities		
Bonds	11 162	10 926
Debentures	967	1 044
Floating rate notes	6 086	10 385
	18 215	22 355
The country risk of the bank debt securities lies in the following geographies:		
South Africa	7 483	7 674
United Kingdom	5 886	7 937
Europe (excluding UK)	397	1 106
Australia	–	47
United States of America	4 288	5 513
Other	161	78
	18 215	22 355

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
22. Other debt securities				
Bonds	6 866	6 170	–	3
Commercial paper	121	199	–	–
Floating rate notes	1 880	512	–	–
Other investments	170	3 231	–	–
	9 037	10 112	–	3
The country risk of the other debt securities lies in the following geographies:				
South Africa	6 523	5 319	–	–
United Kingdom	1 460	3 727	–	–
Europe (excluding UK)	177	224	–	–
Australia	256	464	–	3
United States of America	–	378	–	–
Other	621	–	–	–
	9 037	10 112	–	3

23. 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 that follow 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 present value of future 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					
	2015			2014		
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	10 110	295	388	72 294	548	511
Currency swaps	120 532	6 948	12 934	112 308	4 369	10 078
OTC options bought and sold	10 001	206	165	18 828	96	78
Other foreign exchange contracts	4 212	65	87	15 725	40	68
	144 855	7 514	13 574	219 155	5 053	10 735
Interest rate derivatives						
Caps and floors	2 647	7	6	7 623	19	18
Swaps	332 442	3 178	4 484	372 015	3 285	4 246
Forward rate agreements	311 225	167	159	819 850	434	436
OTC options bought and sold	1 600	27	27	11	30	27
Other interest rate contracts	500	175	92	480	208	128
	648 414	3 554	4 768	1 199 979	3 976	4 855
Equity and stock index derivatives						
OTC options bought and sold	30 039	4 253	887	48 177	3 450	807
Equity swaps and forwards	15 599	89	255	3 492	34	14
OTC derivatives	45 638	4 342	1 142	51 669	3 484	821
Exchange traded futures	584	1	–	6 397	–	4
Exchange traded options	5 328	5	–	31 049	4	–
Warrants	1 799	–	2 511	253	–	1 375
	53 349	4 348	3 653	89 368	3 488	2 200
Commodity derivatives						
OTC options bought and sold	1 717	^	^	279	71	49
Commodity swaps and forwards	3	174	190	18	53	83
	1 720	174	190	297	124	132
Credit derivatives	5 608	2	36	5 719	36	36
Embedded derivatives*		299	–		417	–
Cash collateral		(714)	(9 820)		(795)	(8 699)
Derivatives per balance sheet		15 177	12 401		12 299	9 259

* *Mainly includes profit shares received as part of lending transactions.*
^ *Less than R1 million.*

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At 31 March R'million	Group 2015	Group 2014
24. Securities arising from trading activities		
Bonds	1 006	540
Floating rate notes	40	197
Listed equities	6 432	4 238
	7 478	4 975

At 31 March R'million	Group 2015	Group 2014
25. Investment portfolio		
Listed equities	1 425	825
Unlisted equities*	8 654	7 832
	10 079	8 657

* *Unlisted equities include loan instruments that are convertible into equity.*

At 31 March R'million	Group 2015	Group 2014
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	175 133	150 601
Impairments of loans and advances to customers	(1 139)	(1 247)
Net loans and advances to customers	173 994	149 354
Gross other loans and advances to customers	490	597
Impairments of other loans and advances to customers	(18)	(45)
Net other loans and advances to customers	472	552

For further analysis on loans and advances refer to pages 47 to 55.

At 31 March R'million	Group 2015	2014
26. Loans and advances to customers and other loans and advances (continued)		
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at the beginning of the year	1 075	1 227
Charge to the income statement	647	711
Reversals and recoveries recognised in the income statement	(149)	(114)
Utilised	(605)	(718)
Transfers	–	(31)
Exchange adjustment	1	–
Balance at the end of the year	969	1 075
Portfolio impairment		
Balance at the beginning of the year	172	121
(Released)/charged to the income statement	(16)	43
Transfers	–	(2)
Exchange adjustment	14	10
Balance at the end of the year	170	172
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	43	12
Released to the income statement	(27)	–
Transfers	–	31
Balance at the end of the year	16	43
Portfolio impairment		
Balance at the beginning of the year	2	–
Transfer to securitised assets	–	2
Balance at the end of the year	2	2
Total specific impairments	985	1 118
Total portfolio impairments	172	174
Total impairments	1 157	1 292
Reconciliation of income statement charge:		
Loans and advances to customers	482	640
Specific impairment charged to income statement	498	597
Portfolio impairment (released)/charged to income statement	(16)	43
Securitised assets (refer to note 27)	1	(4)
Specific impairment charged/(released) to income statement	1	(4)
Other loans and advances	(27)	–
Specific impairment released to income statement	(27)	–
Total income statement charge	456	636

At 31 March R'million	Group 2015	 2014
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	8 069	7 520
Impairments of own originated loans and advances to customers securitised	(5)	(4)
Net own originated loans and advances to customers securitised	8 064	7 516
Other securitised assets are made up of the following categories of assets:		
– Loans and advances to customers	–	157
– Cash and cash equivalents	1 289	1 811
Total other securitised assets	1 289	1 968
The associated liabilities are recorded on the balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	1 976	4 924
Liabilities arising on securitisation of other assets	–	156
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments of assets that have been securitised:		
Specific impairment		
Balance at the beginning of the year	2	4
Charged/(released) to the income statement	1	(4)
Recoveries	–	2
Balance at the end of the year	3	2
Portfolio impairment		
Balance at the beginning of the year	2	2
Balance at the end of the year	2	2
Total portfolio and specific impairments on the balance sheet	5	4

At 31 March R'million	Group 2015	 2014
28. Interests in associated undertakings		
Associated undertakings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	52	45
Exchange adjustments	8	7
At the end of the year	**60**	**52**

At 31 March R'million	Group 2015	 2014
29. Deferred taxation		
Deferred taxation assets	462	457
Deferred taxation liabilities	(531)	(463)
Net deferred taxation liabilities	**(69)**	**(6)**
The net deferred taxation liabilities arise from:		
Income and expenditure accruals	903	679
Unrealised fair value adjustments on financial instruments	(784)	(491)
Losses carried forward	67	98
Revaluation of property	(257)	(329)
Finance lease accounting	61	50
Fair value movements on cash flow hedges	(74)	(13)
Other temporary differences	15	–
Net deferred taxation assets	**(69)**	**(6)**
Reconciliation of net deferred taxation assets/(liabilities)		
At the beginning of the year	(6)	141
Charge to income statement – current year taxation	36	(147)
Charge directly in other comprehensive income	(99)	–
At year end	**(69)**	**(6)**

Deferred taxation 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 losses is uncertain.

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
30. Other assets				
Settlement debtors	3 293	742	–	–
Trading properties	1 623	1 676	–	–
Prepayments and accruals	517	744	–	–
Trading initial margins	503	331	–	–
Fee debtors	364	335	–	–
Other	2 667	2 097	–	5
	8 967	5 925	–	5

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
31. Property and equipment					
Group					
2015					
Cost					
At the beginning of the year	504	24	183	735	1 446
Additions	–	11	10	61	82
Disposals	–	(1)	(1)	(8)	(10)
At the end of the year	504	34	192	788	1 518
Accumulated depreciation					
At the beginning of the year	(27)	(21)	(117)	(529)	(694)
Disposals	–	–	–	4	4
Depreciation charge for the year	(10)	(1)	(9)	(102)	(122)
At the end of the year	(37)	(22)	(126)	(627)	(812)
Net carrying value	467	12	66	161	706
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					
At the beginning of the year	(17)	(20)	(111)	(492)	(640)
Disposals	–	–	2	77	79
Depreciation charge for the year	(10)	(1)	(8)	(114)	(133)
At the end of the year	(27)	(21)	(117)	(529)	(694)
Net carrying value	477	3	66	206	752

At 31 March R'million	Group 2015	Group 2014
32. Investment properties		
At the beginning of the year	7 857	6 147
Additions	1 953	1 522
Disposals	(62)	(92)
Fair value movement	181	280
Exchange adjustment	(4)	–
At the end of the year	9 925	7 857

For total gains and losses on investment properties 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 cashflow method (DCF).

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.

All investment properties are classified as level 3 in the fair value hierarchy.

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.

The following factors influence the equivalent yield applied by management when determining the fair value of a building:
- Vacancy rate
- Expected rental
- Lease term

The table below includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Significant unobservable inputs	Definition
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.

Relationship between unobservable inputs and fair value measurement

Significant unobservable inputs	Definition
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.

There are inter-relationships between ERV, the long-term vacancy rate and the equivalent yield. However, a lower/(higher) vacancy rate would increase/(decrease) the ERV for a property.

Further analysis of investment properties is in the risk management section on pages 56 to 58.

At 31 March R'million	Group 2015	 2014
33. Goodwill		
Cost		
At the beginning and end of the year	1 283	1 283
Accumulated impairments		
At the beginning of the year	(1 165)	(1 138)
Impairment of goodwill	(17)	(27)
At the end of the year	(1 182)	(1 165)
Net carrying value	101	118
Analysis of goodwill by line of business:		
Asset Management	60	77
Wealth & Investment	37	37
Specialist Banking	4	4
	101	118

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 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 the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

The majority of the goodwill attributed to the South African operations relates to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash-generating unit. The goodwill relating to Fedsure has been tested for impairment, taking into account profitability, being the current year profits, the budgeted profits and funds under management. The discount rate applied of 14.47% is determined using the South African risk-free rate adjusted for the risk related to the cash-generating unit.

34. Intangible assets

At 31 March R'million	Acquired software	Internally generated software	Total
Group			
2015			
Cost			
At the beginning of the year	445	94	539
Additions	155	10	165
Disposals	(24)	(2)	(26)
At the end of the year	576	102	678
Accumulated amortisation and impairments			
At the beginning of the year	(353)	(84)	(437)
Disposals	5	–	5
Amortisation	(53)	(3)	(56)
At the end of the year	(401)	(87)	(488)
Net carrying value	175	15	190
2014			
Cost			
At the beginning of the year	403	72	475
Additions	57	22	79
Disposals	(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

35. Investment in subsidiaries

At 31 March	Nature of business	Issued ordinary share capital	Holding %	Shares at book value R'million 2015	Shares at book value R'million 2014	Net indebtedness R'million 2015	Net indebtedness R'million 2014
Direct material subsidiaries of Investec Limited							
Investec Bank Limited^	Banking	R29 383 478	100.0%	13 600	13 600	774	1 353
Investec Asset Management Holdings (Pty) Ltd^	Investment holding	R200	85.0%	68	68	–	–
Investec Employee Benefits Holdings (Pty) Ltd^	Investment holding	R1	100.0%	850	850	63	(698)
Investec Int. Holdings (Gibraltar) Limited§	Investment holding	£1 000	100.0%	148	148	–	*
Investec Securities (Pty) Ltd^	Stockbroking	R172 000	100.0%	157	157	(41)	(41)
Fedsure International Limited^	Investment holding	R1 012 456	100.0%	200	200	–	–
Investec Property Group Holdings Limited^	Investment holding	R3 000	100.0%	*	*	–	–
Other subsidiaries				(12)	(12)	47	95
				15 011	15 011	843	709

* *Less than R1 million.*
^ *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 material subsidiaries of Investec Limited			
Investec Assurance Limited^	Insurance company	R10 000 000	100.0%
Investec Asset Management (Pty) Ltd^	Asset management	R50 000	85.0%
Investec Fund Managers SA (RF) (Pty) Ltd^	Unit trust management	R8 000 000	100.0%
Investec Bank (Mauritius) Limited*	Banking	US$56 478 463	100.0%
Investec Property Group (Pty) Ltd^	Property trading	R1 174	100.0%
Reichmans Holdings (Pty) Ltd^	Trade and asset finance	R15	100.0%
Investec Employee Benefits Limited^	Long-term insurance	R7 544 000	100.0%
Investec Property Fund Limited^	Engage in long-term immovable property investment	R5 677 359 900	33.1%

^ *South Africa.*
* *Mauritius.*

Details of subsidiary which are not material to the financial position of the group are not stated above.

The group considers that it has control over Investec Property Fund Limited as a result of the common directors with the holding company and the impact this has on the beneficial returns. Management considers this holding to currently be sufficient to meet the definition of control. Any change in the holding in Investment Property Fund Limited would require a re-assessment of the facts and circumstances.

35. 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
Fox Street 3 (RF) Limited	Securitised residential mortgages
Fox Street 4 (RF) Limited	Securitised residential mortgages
Integer Home Loans (Pty) Ltd	Securitised third party originated residential mortgages

Grayston Conduit 1 (RF) Limited has been wound up.

For additional detail on the assets and liabilities arising on securitisation refer to note 27.

For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 58 to 60.

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.

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 support. Transactions with these funds are conventional customer-supply relationships.

At 31 March R'million	Group 2015	Group 2014
36. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	615	659
Investec Assurance Limited	113 257	102 247
	113 872	102 906
Insurance liabilities, including unit-linked liabilities – (IEB)	33	28
Total policyholder liabilities	113 905	102 934
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	648	687
	648	687
Investments shown above comprise:		
Interest-bearing securities	229	284
Stocks, shares and unit trusts	230	257
Deposits	189	146
	648	687
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	112 738	101 737
Debtors and prepayments	142	64
Other assets	377	446
	113 257	102 247
The linked assets are classed as level 1 financial instruments with the linked liabilities also classed as level 1.		
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	27 466	27 481
Stocks, shares and unit trusts	72 954	61 575
Deposits	12 318	12 681
	112 738	101 737

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 underlying the policies.

At 31 March R'million	Group 2015	Group 2014
37. Other trading liabilities		
Deposits	797	668
Short positions		
– Equities	9 772	6 833
– Gilts	811	746
	11 380	8 247

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
38. Debt securities in issue				
Repayable in:				
Less than three months	534	99	–	–
Three months to one year	2 685	1 181	–	–
One to five years	6 164	7 244	913	808
Greater than five years	43	32	–	–
	9 426	8 556	913	808

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
39. Other liabilities				
Settlement liabilities	2 758	2 195	–	–
Other creditors and accruals	3 617	2 989	161	107
Other non-interest-bearing liabilities	1 422	1 482	9	12
	7 797	6 666	170	119

At 31 March R'million	Group 2015	2014
40. Subordinated liabilities		
Issued by Investec Bank Limited		
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
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	2 063	1 936
IV019 indexed rate subordinated unsecured callable bonds	86	79
IV019A indexed rate subordinated unsecured callable bonds	317	295
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	343	321
IV030A indexed rate subordinated unsecured callable bonds	367	344
IV031 variable rate subordinated unsecured callable bonds	500	500
IV032 variable rate subordinated unsecured callable bonds	810	810
	10 449	10 498
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	175	250
In more than one year, but not more than two years	–	175
In more than two years, but not more than five years	400	6 784
In more than five years	9 874	3 289
	10 449	10 498

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.

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.

40. Subordinated liabilities (continued)

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 three-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

Rnil (2014: R250 million) Investec Bank Limited IV012 locally registered subordinated unsecured callable bonds were 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 three-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 three-month JIBAR plus 4.50%. The maturity date was 26 November 2019, but the company had the option to call the bonds from 26 November 2014. The bonds were called on 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 three-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 three-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 three-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 three-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 three-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 three-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.

IV017 indexed rate subordinated unsecured callable bonds

R2 063 million (2014: R1 936 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.

40. Subordinated liabilities (continued)

IV019 indexed rate subordinated unsecured callable bonds

R86 million (2014: R79 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

R317 million (2014: R295 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 three-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 three-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 three-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 three-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 three-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

R342 million (2014: R321 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.

40. Subordinated liabilities (continued)

IV030A indexed rate subordinated unsecured callable bonds

R368 million (2014: R344 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.

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 three-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 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 three-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.

At 31 March	Group		Company	
R'million	2015	2014	2015	2014
41. Ordinary share capital				
Authorised				
450 000 000 (2014: 450 000 000) ordinary shares of R0.0002 each				
Issued				
285 748 623 (2014: 282 934 529) 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 Investec's 2015 integrated annual report.

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
42. Perpetual preference shares of holding company				
Authorised				
100 000 000 (2014:100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
32 214 499 (2014: 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.

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
43. Share premium				
Share premium on ordinary shares	7 114	6 862	7 164	6 911
Share premium on perpetual preference shares	3 183	3 183	3 183	3 183
	10 297	10 045	10 347	10 094

At 31 March	2015 R'million	2014 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	1 250	1 231
	971	952
Number of Investec Limited ordinary shares held by subsidiaries	21 162 694	19 043 838
	Number	Number
At the beginning of the year	19 043 838	19 715 016
Purchase of own shares by subsidiary companies	7 188 575	9 121 782
Shares disposed of by subsidiaries	(5 069 719)	(9 792 960)
At the end of the year	21 162 694	19 043 838
	R'million	R'million
Market value of treasury shares	2 045	1 616

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
45. Other Additional Tier 1 securities in issue				
Other Additional Tier 1 securities	550	–	550	–

Investec Limited issued R550 million other Additional Tier 1 floating rate notes on 14 August 2014. Interest is payable quarterly on 12 August, 12 November, 12 February and 12 May at a rate equal to the three-month JIBAR plus 4.25%. There is no maturity date but the issuer has the option to redeem on 12 August 2024 and on every interest payment date thereafter.

At 31 March R'million	Group 2015	Group 2014
46. Non-controlling interests		
Perpetual preference shares issued by Investec Bank Limited	1 534	1 534
Non-controlling interests in partially held subsidiaries	4 631	3 103
	6 165	4 637

Perpetual preference shares issued by Investec Bank Limited
Authorised
70 000 000 (2014: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.

Issued
15 447 630 (2014: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums.

Preference shareholders will be entitled to receive dividends if declared, at a rate of 83.33% of prime on R100 being the deemed value of the issue price of the preference share 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 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.

46. Non-controlling interests (continued)

The following table summarises the information relating to the group's partially held subsidiaries which have material non-controlling interests:

	Investec Asset Management Holdings		Investec Property Fund Limited	
	2015	2014	2015	2014
Non-controlling interests (NCI) (%)	15.0	15.0	66.9	55.7
Summarised financial information (R'million)				
Total assets	116 298	106 299	8 832	6 553
Total liabilities	114 842	104 759	2 217	1 440
Revenue	2 976	2 755	927	539
Profit before taxation	1 310	1 277	885	507
Carrying amount of NCI	228	240	4 403	2 863
Profit allocated to NCI	145	93	569	274

At 31 March R'million	Group 2015 Total future minimum payments	Group 2015 Present value	Group 2014 Total future minimum payments	Group 2014 Present value
47. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers:				
Lease receivables due in:				
Less than one year	666	543	572	461
One to five years	634	561	634	557
	1 300	1 104	1 206	1 018
Unearned finance income	196		188	

At 31 March 2015 there were no unguaranteed residual values (31 March 2014: Rnil).

For the year to 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014

48. Notes to the cash flow statement

Profit before taxation adjusted for non-cash items is derived as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
Profit before taxation	6 446	4 919	1 441	2 358
Impairment of goodwill	17	27	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	178	185	–	–
Impairment losses on loans and advances	456	636	–	–
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	506	485	(679)	(288)
Revaluation of investment properties	(181)	(280)	–	–
	7 422	6 010	762	1 429
Increase in operating assets				
Loans and advances to banks	960	(6 999)	–	(1)
Reverse repurchase agreements and cash collateral on securities borrowed	(2 301)	7 427	–	–
Sovereign debt securities	3 439	(1 085)	–	–
Bank debt securities	4 123	(1 223)	–	–
Other debt securities	1 148	(3 015)	3	433
Derivative financial instruments	(3 083)	(275)	–	–
Securities arising from trading activities	(2 503)	(1 377)	–	–
Investment portfolio	(1 410)	(401)	–	41
Loans and advances to customers	(23 863)	(12 475)	–	–
Own originated loans and advances to customers securitised	(548)	(1 386)	–	–
Other loans and advances	80	120	–	–
Other securitised assets	679	(384)	–	–
Other assets	(2 889)	2 316	5	50
Investment properties	(1 887)	(1 430)	–	–
Assurance assets	(10 971)	(16 041)	–	–
Non-current assets held for sale	(1)	(731)	–	–
	(39 027)	(36 959)	8	523
Increase in operating liabilities				
Deposits by banks	7 647	5 037	–	–
Derivative financial instruments	3 142	22	–	–
Other trading liabilities	3 133	1 560	–	–
Repurchase agreements and cash collateral on securities lent	(1 310)	(661)	–	–
Customer accounts (deposits)	15 216	18 636	–	–
Debt securities in issue	856	2 409	105	408
Liabilities arising in securitisation of own originated loans and advances	(2 948)	(1 335)	–	–
Liabilities arising in securitisation of other assets	(156)	(432)	–	–
Other liabilities	1 100	(568)	51	(5)
Assurance liabilities	10 971	16 041	–	–
	37 651	40 709	156	403

For the year to 31 March R'million	Group 2015	 2014
49. Related-party transactions		
Compensation to the board of directors and other key management personnel		
Short-term employee benefits	693	469
Share-based payments	91	74
For information on overall compensation to key management personnel, refer to the remuneration report in volume two of Investec's 2015 integrated annual report.		
	784	543
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	588	607
Increase in loans	258	99
Repayment of loans	(179)	(194)
Exchange adjustments	2	76
At the end of the year	669	588
Guarantees		
At the beginning of the year	77	66
Guarantees cancelled	(33)	(81)
Additional guarantees granted	108	77
Exchange adjustments	1	15
At the end of the year	153	77
Deposits		
At the beginning of the year	(486)	(747)
Increase in deposits	(486)	(359)
Utilisation of deposits	343	458
Exchange adjustments	(10)	162
At the end of the year	(639)	(486)

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 2015	 2014
49. Related-party transactions (continued)		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	246	289
Loans and advances to customers	141	305
Other debt securities	2 882	5 023
Derivative financial instruments	1 782	454
Other assets	466	743
Liabilities		
Deposits from banks	63	537
Customer accounts (deposits)	31	21
Repurchase agreements and cash collateral on securities lent	4 193	5 379
Derivative financial instruments	696	20
Other liabilities	327	286
Debt securities in issue	125	–
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.		
Transactions with Investec plc and its subsidiaries		
Income statement		
Interest income	267	506
Interest expense	25	27
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	463	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.		

In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2015, this resulted in a net receipt from Investec plc group of R383.0 million (2014: R140.3 million). Specific transactions of an advisory nature have resulted in a net fee payment to Investec plc group of R5.3 million (2014: Rnil).

For related party transactions within the company, refer to note 35.

At 31 March R'million	Group 2015	Group 2014
50. Commitments		
Undrawn facilities	44 135	38 027
Other commitments	667	215
	44 802	38 242

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.

	2015	2014
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	432	418
One to five years	1 893	1 485
Later than five years	1 123	1 862
	3 448	3 765

At 31 March R'million	Carrying amount of pledged asset 2015	Carrying amount of pledged asset 2014	Carrying value of related liability repurchase agreements and cash collateral on securities lent 2015	Carrying value of related liability repurchase agreements and cash collateral on securities lent 2014
Group				
Sovereign debt securities	5 055	3 475	8 220	7 635
Bank debt securities	7 466	10 829	4 144	4 718
Other debt securities	3 083	1 542	1 712	735
Securities arising from trading activities	357	688	1 146	688
Reverse repurchase agreements and cash collateral on securities borrowed	698	2 275	472	2 275
	16 659	18 809	15 694	16 051

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 2015, 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 7.0% and 10.0% per annum. The majority of the leases have renewal options.

At 31 March R'million	Group 2015	Group 2014	Company 2015	Company 2014
51. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	18 120	14 590	1 142	–
	18 120	14 590	1 142	–

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 a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

52. 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, 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 dependant 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 were 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						
2015						
Interest rate swaps	Bonds	(635)	(192)	(16)	179	37
2014						
Interest rate swaps	Bonds	(635)	(351)	103	337	36

At year end the hedges were both retrospectively and prospectively effective.

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.

52. 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
Group			
2015			
Cross-currency swaps	Bonds	4 356	Three months
2014			
Cross-currency swaps	Bonds	4 824	Three months

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.

Releases to the income statement for cash flow hedges are included in net interest income.

There was no ineffective portion recognised in the income statement in the current year.

Hedges of net investments in foreign operations

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) Limited.

At 31 March R'million	Hedging instrument fair value
2015	(351)
2014	(33)

There was no ineffective portion recognised in the income statement in the current year.

There were no hedges in the company.

53. 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	> Five years	Total
Group								
2015								
Liabilities								
Deposits by banks	710	1 643	742	10	12 188	15 255	14	30 562
Derivative financial instruments	12 390	–	–	–	–	–	21	12 411
– held-for-trading	12 354	–	–	–	–	–	–	12 354
– held for hedging risk	36	–	–	–	–	–	21	57
Other trading liabilities	11 380	–	–	–	–	–	–	11 380
Repurchase agreements and cash collateral on securities lent	1 237	9 493	2	681	1 340	3 931	–	16 684
Customer accounts (deposits)	88 651	27 923	39 490	13 919	20 091	28 596	2 729	221 399
Debt securities in issue	–	334	534	1 302	1 383	6 149	43	9 745
Liabilities arising on securitisation of own originated loans and advances	–	–	–	9	1	5 472	1 966	7 448
Other liabilities	1 924	2 108	1 259	633	420	871	643	7 858
Subordinated liabilities	–	61	315	163	356	5 993	7 277	14 165
Total on-balance sheet liabilities	116 292	41 562	42 342	16 717	35 779	66 267	12 693	331 652
Contingent liabilities	5 447	54	4 044	182	179	7 404	1 289	18 599
Commitments	3 169	52	9 675	1 143	3 632	11 684	15 097	44 452
Total liabilities	124 908	41 668	56 062	18 041	39 590	85 355	29 079	394 703

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow 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.

For an analysis based on discounted cash flows, please refer to page 71.

53. 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	> 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 flow 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.

53. 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	> Five years	Total
Company								
2015								
Liabilities								
Debt securities in issue	–	–	–	–	–	913	–	913
Other liabilities	–	–	40	–	–	110	20	170
Total on-balance sheet liabilities	–	–	40	–	–	1 023	20	1 083
2014								
Liabilities								
Debt securities in issue	–	–	–	–	–	808	–	808
Other liabilities	–	–	42	–	–	60	16	118
Total on-balance sheet liabilities	–	–	42	–	–	868	16	926

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow 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.

54. Offsetting

At 31 March 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					
2015					
Assets					
Cash and balances at central banks	6 261	–	6 261	–	6 261
Loans and advances to banks	45 687	(9 820)	35 867	–	35 867
Non-sovereign and non-bank cash placements	10 540	–	10 540	–	10 540
Reverse repurchase agreements and cash collateral on securities borrowed	10 734	–	10 734	(561)	10 173
Sovereign debt securities	31 378	–	31 378	(8 220)	23 158
Bank debt securities	18 215	–	18 215	(4 144)	14 071
Other debt securities	9 037	–	9 037	(1 712)	7 325
Derivative financial instruments	15 891	(714)	15 177	(6 374)	8 803
Securities arising from trading activities	7 478	–	7 478	(1 494)	5 984
Investment portfolio	10 079	–	10 079	–	10 079
Loans and advances to customers	175 840	(1 846)	173 994	–	173 994
Own originated loans and advances to customers securitised	8 064	–	8 064	–	8 064
Other loans and advances	472	–	472	–	472
Other securitised assets	1 289	–	1 289	–	1 289
Other assets	8 967	–	8 967	(53)	8 914
	359 932	(12 380)	347 552	(22 558)	324 994
Liabilities					
Deposits by banks	31 276	(714)	30 562	–	30 562
Derivative financial instruments	22 221	(9 820)	12 401	(6 374)	6 027
Other trading liabilities	11 380	–	11 380	–	11 380
Repurchase agreements and cash collateral on securities lent	16 556	–	16 556	(15 222)	1 334
Customer accounts (deposits)	223 223	(1 846)	221 377	–	221 377
Debt securities in issue	9 426	–	9 426	–	9 426
Liabilities arising on securitisation of own originated loans and advances	1 976	–	1 976	–	1 976
Liabilities arising on securitisation of other assets	–	–	–	–	–
Other liabilities	7 797	–	7 797	(962)	6 835
Subordinated liabilities	10 449	–	10 449	–	10 449
	334 304	(12 380)	321 924	(22 558)	299 366

54. Offsetting (continued)

At 31 March R'million	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet — Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Net amount
Group					
2014					
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

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Refer to pages 104 and 105

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