2016

ANNUAL REPORT

Investec Limited group and company annual financial statements

Out of the Ordinary®

Investec

Corporate information

SECRETARY AND REGISTERED OFFICE

Niki van Wyk
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2196
Telephone (27) 11 286 7000
Facsimile (27) 11 286 7966

INTERNET ADDRESS

www.investec.com

REGISTRATION NUMBER

Investec Limited

Registration number 1925/002833/06

AUDITORS

KPMG Inc.
Ernst & Young Inc.

TRANSFER SECRETARIES

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

DIRECTORATE

Executive directors

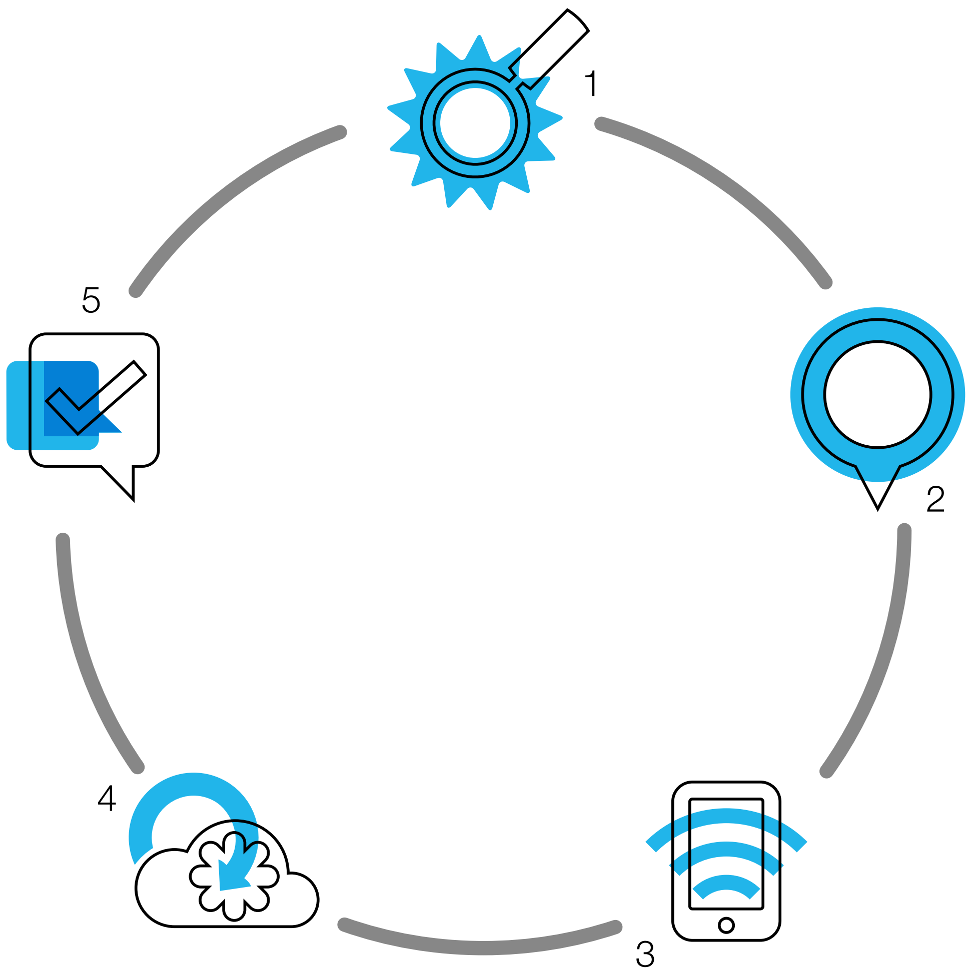
Refer to pages 108 and 109.

For contact details for Investec offices refer to page 202.

For queries regarding information in this document

INVESTOR RELATIONS

Telephone (27) 11 286 7070
(44) 20 7597 5546
e-mail: investorrelations@investec.com
Internet address:
www.investec.com/en_za/#home/investor_relations.html



CROSS REFERENCE TOOLS

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

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

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

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

5. Reporting standard
Denotes our consideration of a reporting standard

Contents

One

Investec Limited
in perspective

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

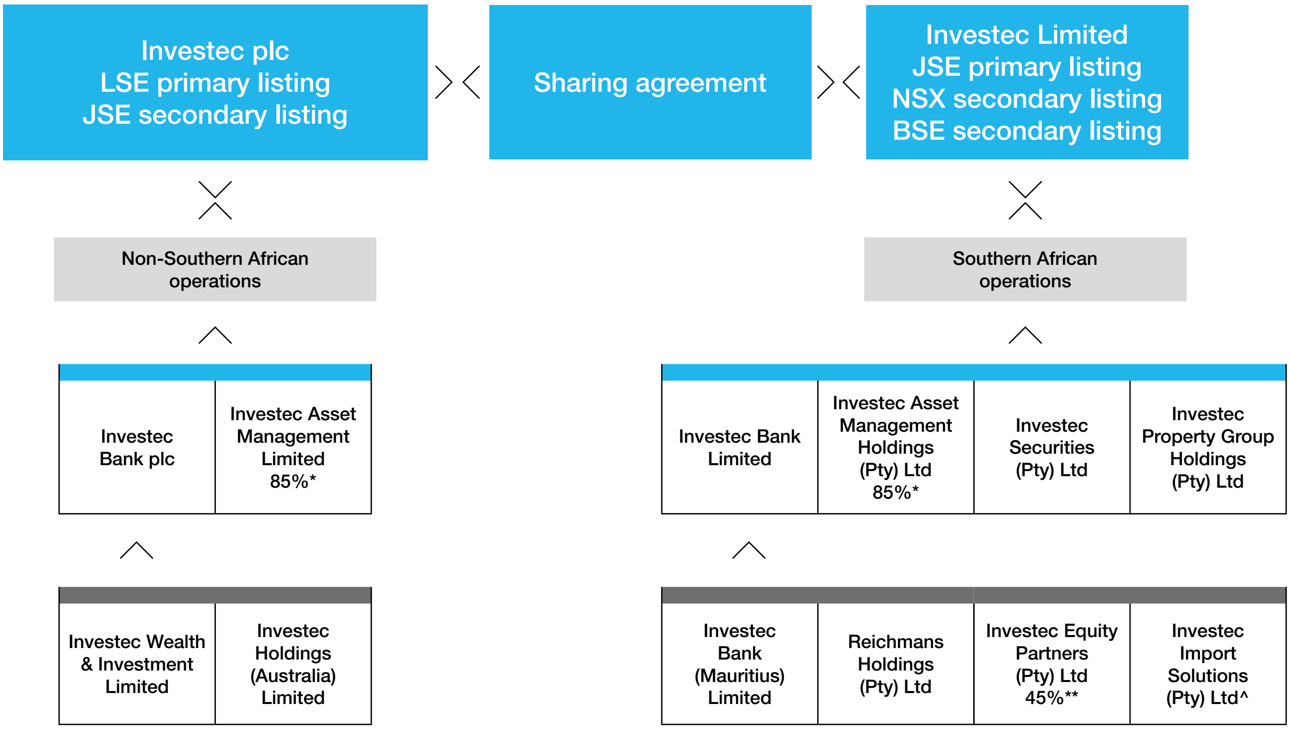
Operating structure

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 AS AT 31 MARCH 2016



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

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

** *55% held by third party investors in the company together with senior management in the business.*

^ *Previously Blue Strata Trading (Pty) Ltd.*

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.

At Investec **ASSET MANAGEMENT**, we want to assist people around the globe to retire with dignity or to meet their financial objectives by offering specialist, active investment expertise. Our clients include some of the world's largest private and public sector pension funds, insurers and corporates, and range from foundations and central banks to intermediaries serving individual investors. Our business is to manage our clients' investments to the highest standard possible by exceeding their investment and client service expectations

What we do ASSET MANAGEMENT

Established in South Africa in 1991, 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 over 180 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our clients around the globe. These teams are supported by our global operations platform.

We manage approximately R1.6 trillion assets globally.

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 one of the largest in South Africa, has a significant European presence and is developing its operations internationally

What we do WEALTH & INVESTMENT

The business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities.

We manage approximately R960 billion assets globally, with R332 billion managed by our South African business.

The bank operates as a specialist bank in Southern Africa, focusing on three key areas of activity

What we do SPECIALIST BANKING

Investment activities, Corporate and Institutional Banking activities and Private Banking activities. Each business provides specialised products and services to defined target markets.

Corporates/government/institutional clients		High-income and high net worth private clients
Investment activities	**Corporate and Institutional Banking activities**	**Private Banking activities**
Principal investments Property investment fund management	Treasury and trading services Specialised lending, funds and debt capital markets Institutional research, sales and trading Advisory and equity capital markets	Transactional banking and foreign exchange Lending Deposits Investments
Our Principal Investments division seeks to invest largely in unlisted companies. 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. A material portion of the bank's principal investments have been transferred to a new vehicle, Investec Equity Partners (IEP). The bank holds a 45% stake in IEP alongside other strategic investors who hold the remaining 55% in IEP. Our property business focuses on property fund management and property investments.	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, advisory, trade finance, imports solutions and derivatives business.	Private Banking activities positions itself as the 'investment bank for private clients', offering both credit and investment services to our select clientele. Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes ultra high net worth individuals, active wealthy entrepreneurs, high-income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Integrated systems and infrastructure

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
- Global approach to:
  - investing
  - client base
  - 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 – one of the largest players
- 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 and private clients with leading positions in selected areas
- Provide high touch personalised service – ability to execute quickly
- Ability to leverage international cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world – internationally mobile
- 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 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

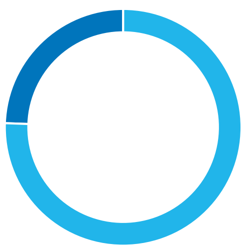
One of the leading international banks in Mauritius

WE HAVE A STRONG franchise and a diversified business model that supports a solid revenue base

Wealth & Investment's operating profit* increased by 19.2%, benefiting from higher levels of average funds under management and solid net inflows. Asset Management reported an 8.7% decrease in operating profit*, with results impacted by emerging markets' weaknesses. The Specialist Banking business reported a 19.4% increase in operating profit*, driven by strong levels of client activity.

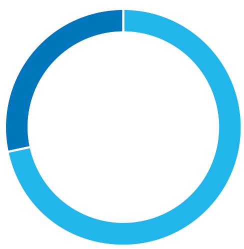
Total operating profit^ increased 13.3% to R6 514 million (2015: R5 749 million)

CONTRIBUTION TO OPERATING PROFIT*



31 March 2016

- 75.8% Specialist Banking
- 24.2% Asset Management and Wealth Management businesses



31 March 2015

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

* *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 16.5%

2016	2015
R4 515mn	R3 874mn

Cost to income ratio

2016	2015
52.4%	52.4%

Improving credit loss ratio

2016	2015
0.26%	0.28%

Cash and near cash balances increased 40.8%

2016	2015
R124.9bn	R88.7bn

OUR FINANCIAL PERFORMANCE

Core loans and advances increased 19.7%

2016	2015
R218.0bn	R182.1bn

Customer deposits increased 26.4%

2016	2015
R279.8bn	R221.4bn

Third party assets under management increased 9.9%

2016	2015
R866.9bn	R788.7bn

Ratio of loans and advances to deposits remains strong

2016	2015
74.6%	78.6%

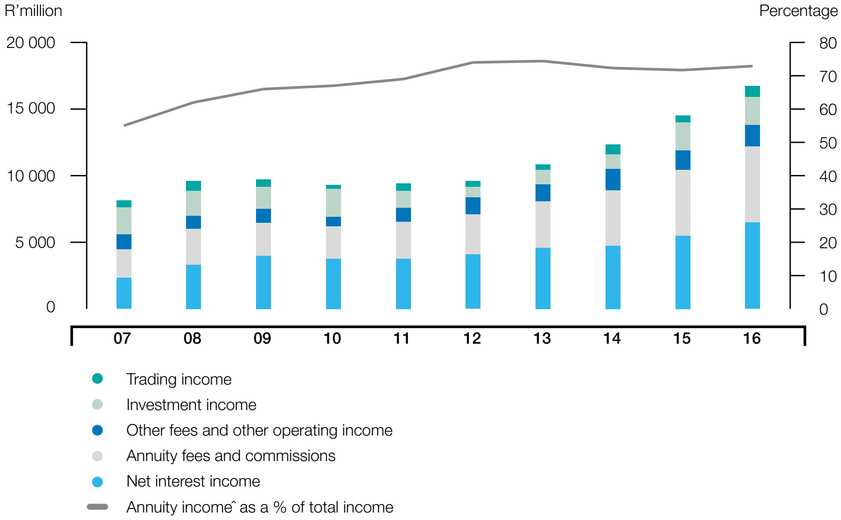
Low gearing ratios

2016	2015
10.6 times	10.1 times

Other financial features

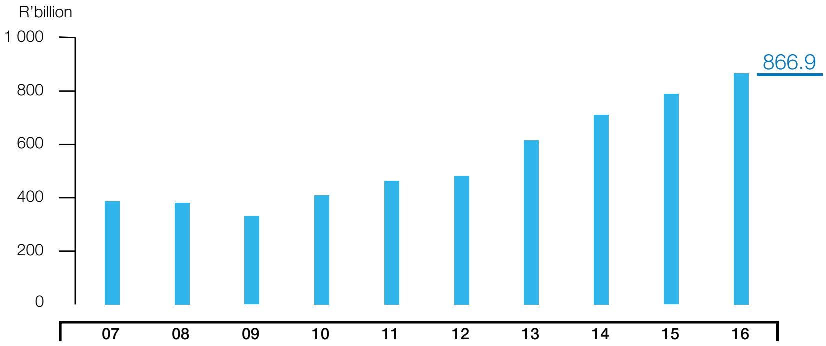
R'million	31 March 2016	31 March 2015	% change
Total capital resources (including subordinated liabilities)	53 208	45 975	15.7%
Total shareholders' equity	41 851	35 526	17.8%
Total assets	568 779	473 633	20.1%

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 over the past few years by building capital light revenues

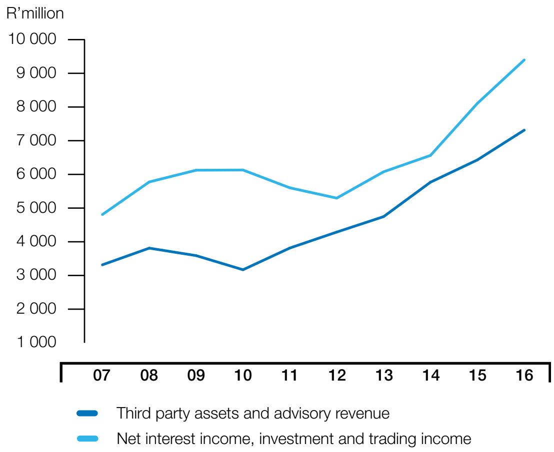
Sustainable business model

CAPITAL LIGHT BUSINESSES

R7 313 million
44% of total revenue

Net fees and commissions of
R7 286 million
44% of total revenue

Other of
R27 million
0% of total revenue



CAPITAL INTENSIVE BUSINESSES

R9 396 million
56% of total revenue

Net interest income of
R6 486 million
39% of total revenue

Investment income of
R2 119 million
13% of total revenue

Trading income of
R791 million
4% of total revenue

Third party asset management and advisory revenue

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

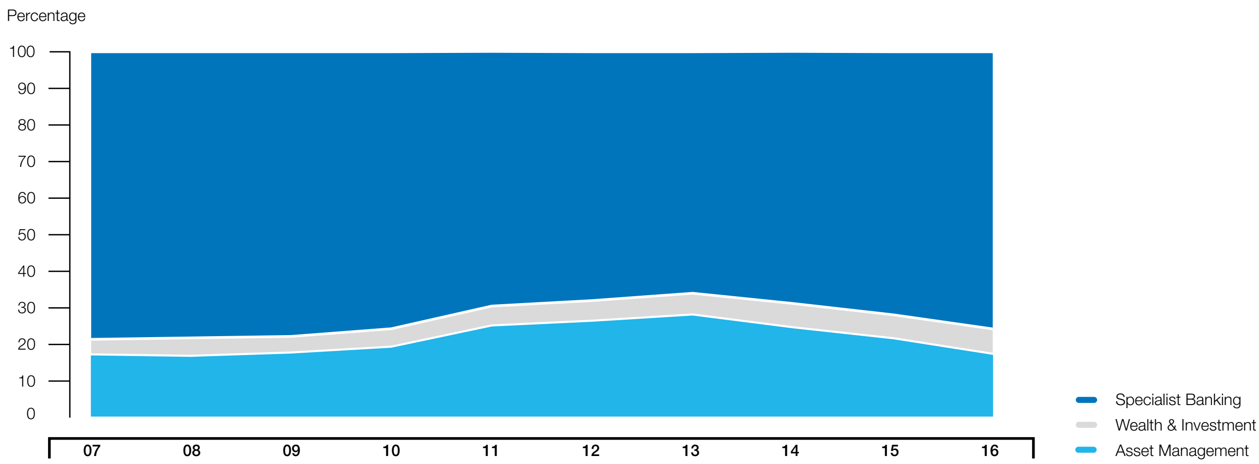
- **Containing costs**
- **Maintaining credit quality**
- **Strictly managing risk and liquidity.**

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 with diverse revenue streams supporting a large recurring revenue base amounting to 72.9% of operating income

CONTRIBUTION TO OPERATING PROFIT*

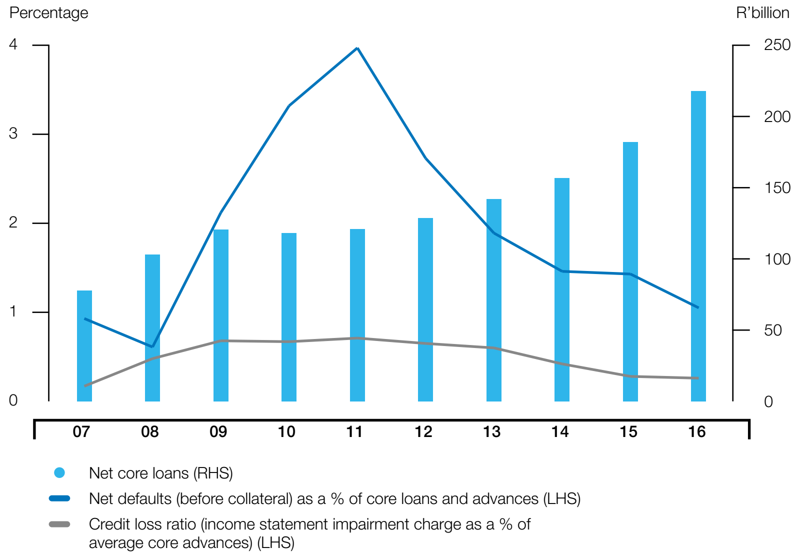


* *Before taxation, headline adjustments and group costs and after other non-controlling interests.*

CREDIT QUALITY OF CORE LOANS AND ADVANCES HAS IMPROVED

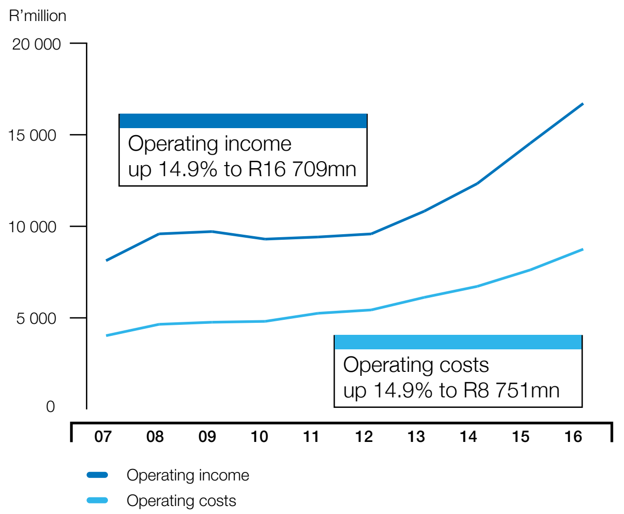
- Core loans and advances increased 19.7% to R218.0 billion
- Default loans (net of impairments) as a percentage of core loans and advances decreased from 1.43% to 1.05%
- The credit loss ratio improved from 0.28% to 0.26%, notwithstanding an increase in impairments
- Net defaults (after impairments) remain adequately collateralised.

DEFAULT AND CORE LOANS

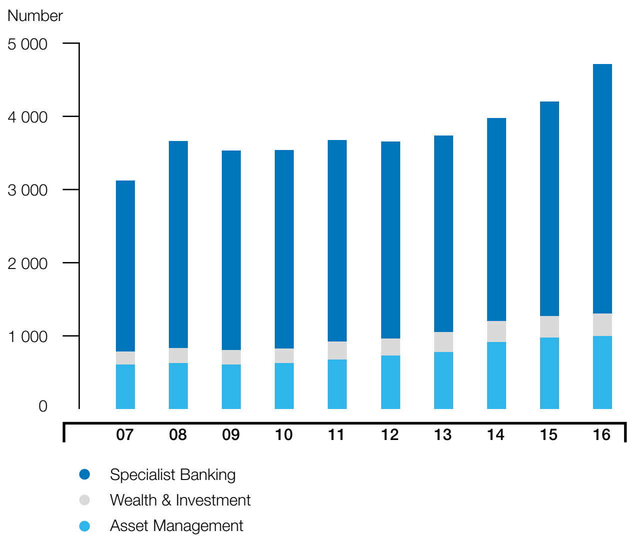


Fixed costs are up as reflected by the increase in headcount to support growth aspirations in our businesses

COST TO INCOME RATIO 52.4%



HEADCOUNT*



* *Permanent headcount and includes acquisitions. The acquisition of Blue Strata (rebranded as Investec Import Solutions) added 176 to the Specialist Banking headcount.*

SOUND CAPITAL AND LIQUIDITY PRINCIPLES MAINTAINED

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets – approximately 37.6% 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 74.6% (2015: 78.6%)

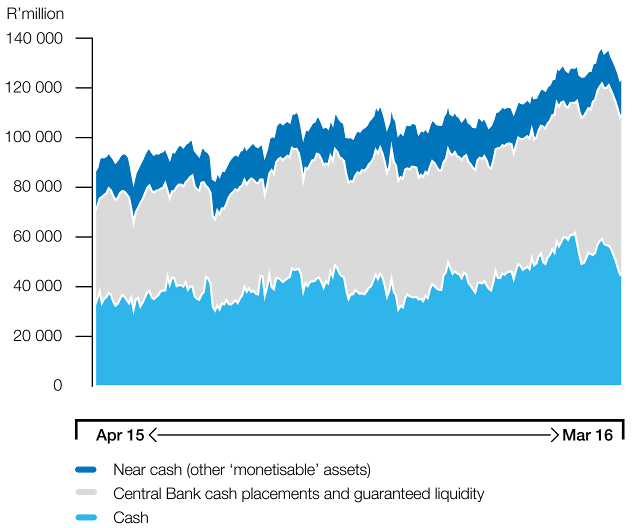
The three-month average of Investec Bank Limited's (solo basis) liquidity coverage ratio is at 117.3% (2015: 100.3%) which is well ahead of the minimum regulatory level required.

CAPITAL ADEQUACY AND TIER 1 RATIOS

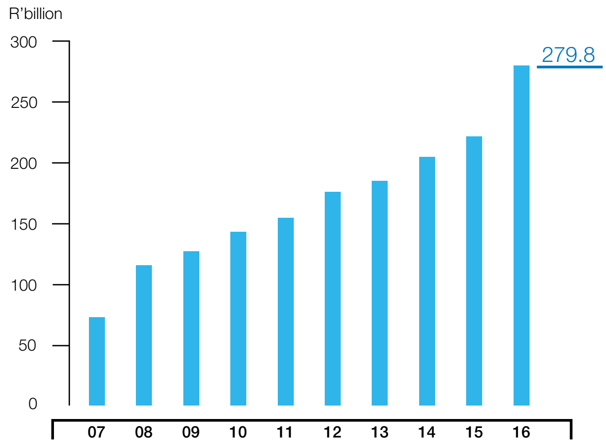
	31 March 2016 (Basel III)			31 March 2015 (Basel III)		
	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio
Investec Limited	14.0%	10.7%	9.6%	14.7%	11.3%	9.6%
Investec Bank Limited	14.6%	11.0%	10.6%	15.4%	11.4%	11.0%

Benefiting from a growing retail deposit franchise

CASH AND NEAR CASH TREND



CUSTOMER ACCOUNTS (DEPOSITS)



Two

Financial
review

An overview of the operating environment impacting our business

South Africa

OUR VIEWS

South Africa remains institutionally sound, with solid ratings from the World Economic Forum's Global Competitiveness Survey, as the strength of its auditing and reporting standards are ranked first, and the regulation of its securities exchange (JSE) second, in the world

South Africa faced another difficult year in 2015, as the slump in the commodity cycle intensified, along with the slower growth of key trading partners (notably China), while domestically the most severe drought in 25 years occurred. The commodity and manufacturing sectors saw an industrial sector recession, and GDP growth consequently slipped further to 1.3% year on year from last year's 1.5% year on year. GDP per capita fell for the first time since the 2009 recession, dropping to R56 169 in real terms from R56 198 and gross national income per capita continued its declining trend which began in 2013.

1.3%	1.5%
2015/16 Economic growth	2014/15 Economic growth
2016 R56 169	2015 R56 198

GDP per capita has fallen

Furthermore, South Africa is placed third in terms of the efficacy of its corporate boards, and has incubated a large number of companies to international level, with protection of minority shareholder interests also third globally. South Africa's banking sector is ranked eighth with deep, liquid, sophisticated markets and consistent, sound budgetary policies which allow South Africa to be a key contributor in the global bond market. The International Budget Partnership's latest Open Budget Index ranks South Africa third among 88 countries, after only New Zealand and Sweden. However, from 2011 South Africa has seen credit rating downgrades from S&P on the deterioration in economic growth, and some fiscal slippage as the ratios deteriorated, although very recently a more conservative Budget was presented under the new Finance Minister, Pravin Gordhan.

The financial market upheaval in mid-December 2015 impacted by the abrupt replacement of previous Finance Minister Nhlanhla Nene by temporary Finance Minister van Rooyen drove the domestic currency, JSE and bond yields to elevated risk-aversion levels. Despite the appointment soon thereafter of Pravin Gordhan to the Finance Minister role, the Rand went into the mid-January global debt, commodities and equities market rout severely weakened, reaching a historic low of close to R17.00/USD, with the JSE dropping to 45 493. The mid-January rout occurred on growing fears of global recession as the commodity cycle, global trade volumes and world economic growth slumped lower. Foreigners have proved net sellers of South Africa's portfolio assets from mid-December to end March 2016 on domestic economic growth concerns, fears of credit rating downgrades and expectations of higher interest rates in the US. In particular, the credit rating agencies are reassessing South Africa's creditworthiness in terms of its downward economic growth trajectory and rising government debt ratios.

Indeed, the unsupportive global environment for a commodity exporter risks the South African economy stalling this year, if not entering a technical recession, along with the global economic slowdown. Besides the global headwinds, the domestic economy also faces some real constraints in terms of skills shortages, a restrictive labour market and infrastructure, although meaningful progress has begun on alleviating electricity supply constraints. South Africa has seen its World Bank ranking on the ease of doing business slip, but structural improvements could see an improved ability to reduce unemployment and inequality, and eliminate poverty. The advent of 2016 heralded a closer working relationship between government and business, which if successful will allow a more rapid progression of upward social mobility, as occurred in the earlier years of the country's democracy.

An overview of the operating environment impacting our business *(continued)*

Global stock markets

OUR VIEWS

Equity markets began the financial year in a buoyant mood, with the UK's FTSE 100 breaking through the significant 7 000 point milestone to set a new high during April 2015. These gains reflected the belief that global economic growth was set to accelerate and Europe and emerging economies were managing their challenges.

But that early optimism turned into a challenging year as a whole for financial markets, with the price of risky assets lower, in general, than when the year began. After a surge in the middle of 2015, the Shanghai share index in China was 20% lower by financial year end. In the Eurozone, the Euro Stoxx 50 index slid 19%. The UK's FTSE All Share declined 7%. In the US, the S&P 500 was more resilient, ending the year 0.4% lower. Commodity prices slid too, especially the oil price, where declines were driven partly by Saudi Arabia's continued bid to maintain market share by keeping output high and prices low.

This pattern of declines (oil supply issues notwithstanding) reflects two major global economic risks. The first relates to China, where issues came to a head last August. A depreciation of the Chinese Yuan triggered a sell-off in equity markets worldwide as investors fretted about a Chinese 'hard landing'. However, after a volatile few weeks, markets recovered as it turned out that global economic fundamentals appeared to remain relatively sound.

The second risk, of a broader, deflationary global slowdown, particularly in the Euro area, sharpened in January and February 2016. The immediate trigger for a downward lurch in global markets was a sell-off in Eurozone banking stocks. In part, this could have been driven by fears about the impact of the ECB's negative interest rate policy on banks' profitability. More generally, a worry emerged that central banks and other policymakers are running out of scope to combat economic stagnation and deflation.

Over and above these two global worries, the removal of Finance Minister Nene in South Africa in December 2015 caused the JSE All Share and Banking indices to fall by over 20% in a matter of days, with little recovery experienced over the month that followed, although the JSE All Share ended March 2016 in line with the prior year's level.

Partly as a result of last year's market gyrations, our view is that risks to the global outlook have become more tilted to the downside. Various organisations, such as the OECD, IMF and World Bank, appear to concur. But our view is that economic fundamentals remain on a steady, if unspectacular, footing – a view borne out by the 'hard' data, which have continued to point to sustained economic growth. Consistent with, and in part because of, the data remaining broadly on track, the last few weeks of the financial year saw equity markets recover most of their January and February losses.

Operating environment

THE TABLE BELOW PROVIDES AN OVERVIEW OF SOME KEY STATISTICS THAT SHOULD BE CONSIDERED WHEN REVIEWING OUR OPERATIONAL PERFORMANCE

	Year ended 31 March 2016	Year ended 31 March 2015	% change	Average over the year 1 April 2015 to 31 March 2016
Market indicators				
JSE All share	52 250	52 182	0.1%	51 705
FTSE All share	3 395	3 664	(7.3%)	3 500
S&P	2 060	2 068	(0.4%)	2 033
Nikkei	16 759	19 207	(12.7%)	18 844
Dow Jones	17 685	17 776	(0.5%)	17 306
Rates				
SA R186	9.10%	7.80%		8.17%
Rand overnight	6.92%	6.30%		6.45%
SA prime overdraft rate	10.50%	9.25%		9.61%
JIBAR – three month	7.23%	6.11%		6.43%
UK overnight	0.41%	0.42%		0.46%
UK 10 year	1.42%	1.58%		1.81%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR – three month	0.59%	0.57%		0.59%
US 10 year	1.79%	1.93%		2.12%
Commodities				
Gold	US$1 233/oz	US$1 188/oz	3.8%	US$1 151/oz
Brent crude oil	US$40/bbl	US$56/bbl	(28.6%)	US$49/bbl
Platinum	US$976/oz	US$1 129/oz	(13.6%)	US$983/oz
Macro-economic				
South Africa GDP (% change over the period)	1.3%	1.5%		
South Africa per capita GDP (real value in Rands, historical revised)	56 169	56 198	(0.1%)	

Sources: Datastream, Bloomberg, Office for National Statistics, SARB Quarterly Bulletin.

We provide a wide range of financial products and services to a select 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

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

ASSET MANAGEMENT

Key income drivers
- Fixed management 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 in 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 in 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.

The bank operates as a specialist bank providing a wide range of financial products and services to a select client base in South Africa and Mauritius.

SPECIALIST BANKING

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

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

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.

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.

13 – 15

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

13 – 15

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

32

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

32 – 55

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

33

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

56 – 58

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

60 – 63

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

63 – 71

Liquidity risk may impair our ability to fund our operations.

71 – 73

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

74 – 77

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

74 – 77

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

74 – 77

Employee misconduct could cause harm that is difficult to detect.

77

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

77 and 78

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

78

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

78 – 89

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

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

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

Overview

Investec Limited posted an increase in headline earnings attributable to ordinary shareholders of 16.5% to R4 515 million (2015: R3 874 million). The balance sheet remains sound with a capital adequacy ratio of 14.0% as calculated in terms of Basel III (2015: 14.7%).

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the results for the year ended 31 March 2015.

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

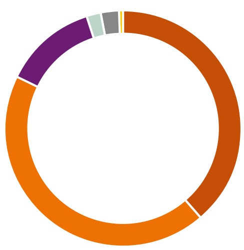
Total operating income before impairment losses on loans and advances of R16 709 million is 14.9% higher than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2016	% of total income	31 March 2015	% of total income	% change
Net interest income	6 486	38.8%	5 480	37.8%	18.4%
Net fee and commission income	7 286	43.6%	6 400	44.0%	13.8%
Investment income	2 119	12.7%	2 067	14.2%	2.5%
Trading income arising from					
– customer flow	353	2.1%	327	2.2%	8.0%
– balance sheet management and other trading activities	438	2.6%	233	1.6%	88.0%
Other operating income	27	0.2%	29	0.2%	(6.9%)
Total operating income before impairment losses on loans and advances	**16 709**	**100.0%**	**14 536**	**100.0%**	**14.9%**

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

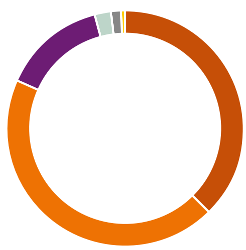
R'million	31 March 2016	% of total income	31 March 2015	% of total income	% change
Asset Management	3 005	18.0%	2 976	20.5%	1.0%
Wealth & Investment	1 407	8.4%	1 111	7.6%	26.6%
Specialist Banking	12 297	73.6%	10 449	71.9%	17.7%
Total operating income before impairment losses on loans and advances	**16 709**	**100.0%**	**14 536**	**100.0%**	**14.9%**

% OF TOTAL OPERATING INCOME BEFORE IMPAIRMENT LOSSES ON LOANS AND ADVANCES



31 March 2016
R16 709 million total operating income before impairment losses on loans and advances

- 38.8% Net interest income
- 43.6% Net fee and commission income
- 12.7% Investment income
- 2.1% Trading income arising from customer flow
- 2.6% Trading income arising from balance sheet management and other trading activities
- 0.2% Other operating income



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

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

Net interest income

Net interest income increased by 18.4% to R6 486 million (2015: R5 480 million) with the bank benefiting from a solid increase in its loan portfolio.

For a further analysis of interest income and interest expense refer to page 141.

Net fee and commission income

Net fee and commission income increased by 13.8% to R7 286 million (2015: R6 400 million) as a result of a good performance from the private banking, corporate lending, corporate treasury, wealth management and property fund management businesses. In addition, the acquisition of the Blue Strata group (rebranded Investec Import Solutions) had a positive impact on net fee and commission income.

For a further analysis of net fee and commission income refer to page 142.

Investment income

Investment income increased to R2 119 million (2015: R2 067 million) with the unlisted investments portfolio continuing to perform well.

For a further analysis of investment income refer to pages 142 and 143.

Trading income

Trading income arising from customer flow and balance sheet management and other trading activities increased to R791 million (2015: R560 million) reflecting higher activity levels and foreign currency gains.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairment losses on loans and advances increased from R456 million to R520 million. However, the credit loss charge as a percentage of average gross core loans and advances has improved from 0.28% to 0.26%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 1.05% (2015: 1.43%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.61 times (2015: 1.44 times).

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

TOTAL OPERATING COSTS

The ratio of total operating costs to total operating income amounts to 52.4% (2015: 52.4%). Total operating costs at R8 751 million were 14.9% higher than the prior year (2015: R7 617 million) largely as a result of: an increase in headcount and system infrastructure costs to support growth initiatives; the acquisition of the Blue Strata group (rebranded Investec Import Solutions); and an increase in variable remuneration given improved profitability.

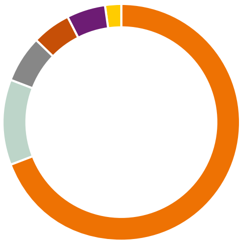
The various components of total operating costs are analysed below.

R'million	31 March 2016	% of total operating costs	31 March 2015	% of total operating costs	% change
Staff costs (including directors' remuneration)	(6 074)	69.4%	(5 256)	69.0%	15.6%
Business expenses	(1 014)	11.6%	(908)	11.9%	11.7%
Equipment (excluding depreciation)	(548)	6.3%	(426)	5.6%	28.6%
Premises (excluding depreciation)	(471)	5.4%	(448)	5.9%	5.1%
Marketing expenses	(448)	5.1%	(401)	5.3%	11.7%
Depreciation	(196)	2.2%	(178)	2.3%	10.1%
Total operating costs	**(8 751)**	**100.0%**	**(7 617)**	**100.0%**	**14.9%**

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

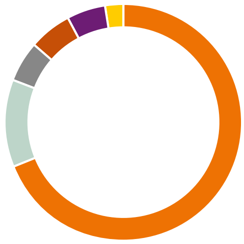
R'million	31 March 2016	% of total operating costs	31 March 2015	% of total operating costs	% change
Asset Management	(1 812)	20.7%	(1 666)	21.9%	8.8%
Wealth & Investment	(942)	10.8%	(721)	9.5%	30.7%
Specialist Banking	(5 776)	66.0%	(5 065)	66.5%	14.0%
Group costs	(221)	2.5%	(165)	2.1%	33.9%
Total operating costs	**(8 751)**	**100.0%**	**(7 617)**	**100.0%**	**14.9%**

% OF TOTAL OPERATING COSTS



31 March 2016
R8 751 million total operating costs

69.4%	Staff costs
11.6%	Business expenses
6.3%	Equipment
5.4%	Premises
5.1%	Marketing
2.2%	Depreciation



31 March 2015
R7 617 million total operating costs

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

Balance sheet analysis

Since 31 March 2015:

- Total shareholders' equity (including non-controlling interests) increased by 17.8% to R41.9 billion (2015: R35.5 billion), largely as a result of retained earnings
- Total assets increased by 20.1% to R568.8 billion (2015: 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 market environment in which you have operated over the past financial year?

Markets were characterised by weakness in financial asset prices, especially emerging market equities and currencies. The weakness in the Rand made a noticeable impact on our revenues. Clients are demanding more for the fees they pay. Although attractive and growing, our industry remains fiercely competitive which requires ongoing productivity increases to ensure margin retention. On top of this, regulatory initiatives continue across the globe, requiring additional investment in time, resources and reporting.

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

In spite of a difficult market environment, we concluded the year with solid net inflows which were achieved with good momentum in the Europe, Americas and Asia Pacific client groups. Furthermore, there was a turnaround in our Africa client group which generated positive net flows over the year, after outflows in the prior year.

We continued to attract and retain the very best talent in the business while maintaining stability across our firm. We have made good progress in diversifying our offering to the market, thereby improving the quality of our revenue stream.

On the back of excellent investment performance and renewed enthusiasm, our South African business is well positioned for a resumption of growth.

During the final quarter of the financial year, market conditions changed significantly, which impacted our investment performance figures negatively. In general, this was a tough quarter for active managers. However, as long-term investors using well-tested investment processes, we are confident that we will continue to deliver value for our clients.

What are your strategic objectives in the coming financial year?

Our primary objective remains unchanged: we want to assist people around the globe to retire with dignity or meet their financial objectives. We aim to manage our clients' money to the highest possible standard and in line with their expectations and product and strategy specifications.

We will continue to organically develop our investment capabilities, operate across channels and approach our growth sustainably, based on client needs and medium to long-term targets. Over the coming year, we are particularly focused on building our Advisor business alongside our successful Institutional business and diversifying our growth drivers.

Above all, this is a people business and for this reason, we continue to invest in our people and nurture the culture that binds us together.

What is your outlook for the coming financial year?

We have a long-term horizon and do not manage our business for the short term. We believe that the opportunity for growth over the next five years is significant.

After 25 successful years, our momentum is positive and we are confident about the long-term future of our business.

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

In our role as a global asset manager, our primary goal is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role which includes exercising the client's ownership rights. We believe that each investment should be looked at individually, but also that the managers of our various strategies have the right to integrate material environmental, social and governance (ESG) considerations into their decision-making in a manner that is consistent with the mandates they have from our clients. This approach benefits both our clients and the social realms in which we invest and operate.

QUESTIONS and answers

Steve Elliott

GLOBAL HEAD

> WEALTH & INVESTMENT

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

The year ended 31 March 2016 was a challenging one for the global financial markets. 2015/16 was characterised by weak global growth, a declining oil price, inflationary and deflationary concerns, unpredictability around interest rate trajectories, and not least geopolitical uncertainty in our regions and the world.

Refer to pages 13 to 15 for further information.

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

We continued the implementation of our One Place strategy, which focuses on servicing clients' local and international banking needs, a particularly important role through the recent turbulent period. We have done so by leveraging off our international capabilities in Ireland, Switzerland, Hong Kong, Guernsey and the United Kingdom.

The roll out of our self-directed investment platform, Online Portfolio Manager, to all Investec Private Clients in South Africa was completed and is gaining traction, offering seamless local and international online investing, with the addition of Tax Free Savings Products being added at the end of the last tax year in February 2016. Online Portfolio Manager remains a key strategic digital initiative as part of our One Place strategy for our Private Clients. Enhancements for 2016/17 will include new investment products and easy to use investment tools.

Investec remains the only brand in South Africa that can truly deliver banking and investments, locally and internationally, in One Place.

This is evidenced by international recognition from both *Euromoney* and the *Financial Times* of London three years in a row (2014, 2015 and 2016) – Investec being rated as the best Private Bank & Wealth Manager in South Africa. This showcases that our strategy continues to deliver on client needs and our focus achieves 'Out of the Ordinary' service delivery to our private clients.

We have successfully partnered, on an exclusive basis in South Africa, with The Carlyle Group, to offer our high net worth private clients, private equity to enhance and diversify their offshore assets. The development of 'Out of the Ordinary' exclusive investment opportunities for our high net worth private clients remains an important focus for us.

We identified an opportunity to help high net worth individuals with strategic philanthropy. Accordingly, we launched Investec Philanthropy Services in 2016, which offers a comprehensive 360 degree range of philanthropy services to individuals, families, businesses and non-profit organisations.

What are your strategic objectives in the coming financial year?

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 Advisors' strategy in South Africa and look to develop it further by investing in dedicated resources to drive and build the business. We are also looking at the Philanthropy service to manage charitable funds.

The continued success of our core business is built on achieving and maintaining high and consistent standards of client service, supported by a robust and well-resourced research capability and investment process. Our strategic priorities for the forthcoming financial year include initiatives which focus on the continuous development of these important areas.

The past financial year has been marked by a period of turbulence in the financial markets. We have built a business that has proved its resilience to adverse conditions in the past and we remain focused on those aspects of our business which drive and maintain us throughout periods of increased uncertainty.

What is your outlook for the coming financial year?

We continue to be mindful of the risk factors which remain in the global and domestic economies.

We are however confident in our strategy to invest for the future success of the business while remaining focused on the resilience of our business model to provide the balance that will optimise the performance of the business, over both the short and longer terms, while continuing to ensure that we deliver the most suitable client outcomes.

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

Investec Wealth & Investment recently launched 'Investec philanthropy services'. This initiative offers advisory services to individuals, families, businesses and non – profit organisations with the aim of maximising their philanthropy objectives and achieving the most positive social impact with their charitable investments. Largely South African based, 'Investec philanthropy services' currently supports a number of private charitable foundations. The focus areas of the foundations vary, and include education, health care, welfare, social justice, the environment and conservation and animal welfare. An important service is the provision of due diligence on a non-profit organisation prior to the making of a grant. This is to ensure that the private foundations we look after support sustainable and effective organisations. With regards to non-profit organisations which are clients of the Wealth & Investment business, we also provide services which include guidance on structuring, legal, tax and corporate governance issues.

QUESTIONS and answers

Richard Wainwright

> SPECIALIST BANKING

CHIEF EXECUTIVE OFFICER, INVESTEC BANK LIMITED

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

The year ended 31 March 2016 was a challenging one for the global financial markets. 2015/16 was characterised by weak global growth, a declining oil price, inflationary and deflationary concerns, unpredictability around interest rate trajectories, and not least geopolitical uncertainty in our regions and the world.

Refer to pages 13 to 15 for further information.

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

The bank reported a positive performance with operating profit up 19.4%, driven by strong loan book growth in the corporate and private banking businesses. Good client activity supported the strong positive business momentum and franchise growth. The unlisted investment portfolio also performed well during the period.

We continue to benefit from the collaboration between the Private Bank and Wealth & Investment business, with international recognition from the *Financial Times* as the Best Private Bank and Wealth Manager in South Africa for the third year running. We have made good progress with our digitisation strategy which focuses on ensuring that we create a client experience that is both 'Out of the Ordinary' and 'high tech and high touch'. This is part of our strategy to deepen our strong relationships with our core client base, and offer them a broad spectrum of services and products.

What are your strategic objectives in the coming financial year?

We continue to build our franchise in our core client segments. Building and developing our client franchises remains integral to the growth and development of our organisation and we are committed to optimising the client experience, ensuring our target clients do more with us as an organisation.

Our strategic focus in Southern Africa remains the following:

- To continue to organically grow the transactional banking, property and private capital businesses
- To diversify our revenue streams in the corporate and institutional market
- Build sustainability through a diversified portfolio of businesses.

What is your outlook for the coming financial year?

Despite the current structural challenges in the South African economy, corporate activity continues to present opportunities. We have a strong financial sector and an active private sector, which will continue to support momentum in the specialist banking businesses.

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

We continue to focus on developing our people and investing in our communities and the environment, receiving a number of awards for our efforts in the past year. Our flagship educational initiative in South Africa, Promaths, continues to outpace the national average for Mathematics and Science in the country. We continue to experience good momentum in our enterprise development programme (Young Treps) where selected entrepreneurs learn valuable skills in strategy, marketing and finance. Our employees 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 third most attractive employer in South Africa in the 2016 Universum Most Attractive Employer awards.

Three

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 90 with further disclosures provided in the annual financial statements section on pages 124 to 201.

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

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

The risk disclosures comprise certain of the group's Pillar III disclosures as required in terms of Regulation 43 of the regulations relating to banks in South Africa.

Investec Limited also publishes additional Pillar III and other risk information. This information is contained in a separate Pillar III report which can be found on our website.

Philosophy and approach to risk management

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

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

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

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

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

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

Overall summary of the year in review from a risk perspective

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

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

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

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

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

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 15.6% of the book, other lending collateralised by property 3.2%, high net worth and private client lending 47.6% and corporate lending 33.6% (with most industry concentrations

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

well below 5.0%). Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet, showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book.

Net core loans and advances grew by 19.7% to R218 billion at 31 March 2016 with residential owner-occupied, private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

We reported an increase in the level of impairments taken, but remain comfortable with the overall performance of the book, as the credit loss ratio amounts to 0.26% and defaults (net of impairments but before collateral) are 1.05% of our book. The increase in interest rates has had little impact on the performance of our book to date, as our target market is less sensitive to the moderate interest rate moves incurred to date. We will, however, monitor our portfolio in light of the increasing interest rate environment. The group has minimal exposure to the agriculture sector in South Africa, and our overall on and off-balance sheet exposure to mining and resources amounts to 3.3% of our credit and counterparty exposures. Given the weaker growth outlook in South Africa, it is likely that defaults could increase, although we would still expect our credit loss ratio to remain within our long-term trend of 30bps to 40bps.

Investment risk

Our investment portfolios delivered a sound performance. During the year we transferred a sizeable portion of our unlisted investments portfolio to an investment vehicle called Investec Equity Partners (IEP), in which we retain a 45% interest. With the backing of external strategic investors, we believe that IEP is better positioned to deliver value from, and grow this portfolio. Overall, we remain comfortable with the performance of our equity investment portfolios which comprise 4.16% of total assets.

Traded market risk

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

We continue to manage a very low level of market risk with 95% one-day VaR at R4.8 million at 31 March 2016. Trading conditions have remained challenging. Markets have been very volatile while the lack of liquidity has continued. Investec remains focused on facilitating the near-term demand of our clients. The equity derivatives business has continued to grow their synthetic product offering to a diversified client base. All trading areas have kept market risk exposures at low levels throughout the year.

Balance sheet and liquidity risk

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

Surplus cash balances increased significantly, as we remained conservative given the volatility in the markets. We ended the year with the three-month average of Investec Bank Limited's (solo) LCR at 117.3%, which is well ahead of the minimum levels required. We were successful in raising two to three year term USD funding at levels last witnessed over five years ago. The bank's long-term USD liquidity position is very positive and places us in a strong position ahead of any concern over South Africa's heightened risk of a credit rating downgrade. Our USD funding merely augments our surplus cash balances, and core loans and advances are fully funded from domestic deposits, with our loan to deposit ratio (excluding USD funding) at 74.6%.

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

Capital management

Investec has continued to maintain a sound balance sheet with a low gearing ratio of 10.6 times and a core loans to equity ratio of 5.2 times. Our current leverage ratio is 6.9%.

We have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We meet our current internal targets for total capital adequacy but did not meet our internal target for our common equity tier 1 ratio to be in excess of 10%. Our capital ratios did decline somewhat over the period as a result of solid growth in our credit risk-weighted assets during the year. Capital, however, continued to grow and we are comfortable that credit growth is in line with our risk appetite framework and supported by sound risk metrics. We believe that a common equity tier 1 ratio in excess of 10% is appropriate for our business, given our high leverage ratios, and we will continue to build our business in a manner that maintains this target.

Conduct, operational and reputational risk

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

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

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

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

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

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

Salient features

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

Year to 31 March	2016	2015
Total assets (excluding assurance assets) (R'million)	445 239	359 728
Total risk-weighted assets (R'million)	309 052	269 466
Total equity (R'million)	41 851	35 526
Net core loans and advances (R'million)	217 958	182 058
Cash and near cash (R'million)	124 907	88 691
Customer accounts (deposits) (R'million)	279 820	221 377
Gross defaults as a % of gross core loans and advances	1.47%	2.04%
Defaults (net of impairments) as a % of net core loans and advances	1.05%	1.43%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.26%	0.28%
Structured credit investments as a % of total assets^	0.17%	0.44%
Banking book investment and equity risk exposures as a % of total assets^	4.16%	4.88%
Level 3 (fair value assets) as a % of total assets^	0.63%	2.32%
Traded market risk: one-day value at risk (R'million)	4.8	3.5
Core loans to equity ratio	5.2x	5.1x
Total gearing ratio**	10.6x	10.1x
Loans and advances to customers to customer deposits	74.6%	78.6%
Capital adequacy ratio	14.0%	14.7%
Tier 1 ratio	10.7%	11.3%
Common equity tier 1 ratio	9.6%	9.6%
Leverage ratio	6.9%	8.1%
Return on average assets#	1.15%	1.20%
Return on average risk-weighted assets	1.61%	1.59%

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

Overall group risk appetite

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

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

Risk appetite and tolerance metrics	Positioning at 31 March 2016
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities for Investec Limited contributed 44% to total operating income and capital intensive activities contributed 56%
• We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 72.9% 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 65%	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 for the Investec group amounted to 11.5% and our return on risk-weighted assets amounted to 1.34%
• 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 88 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0%	We meet total capital targets, however, we have not met our common equity target due to strong growth in credit risk-weighted assets; refer to page 88 for further information
• We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 5% of tier 1 capital (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in the bank's main operating geographies (i.e. South Africa and Mauritius). The bank will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography	
• The level of defaults and impairments continues to improve and we target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/stressed scenario)	The credit loss charge on core loans amounted to 0.26% and defaults net of impairments amounted to 1.05% 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 R125 billion representing 44.6% of customer deposits. Refer to page 67 for further information
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million	We meet these internal limits; refer to page 61 for further information
• We have moderate appetite for investment risk, and set a risk tolerance of less than 15% of tier 1 capital for our unlisted principal investment portfolio (excluding IEP)	Our unlisted investment portfolio is R2 890 million, representing 8.8% 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 74 to 77 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks.	Refer to pages 77 and 78 for further information.

An overview of our principal risks

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

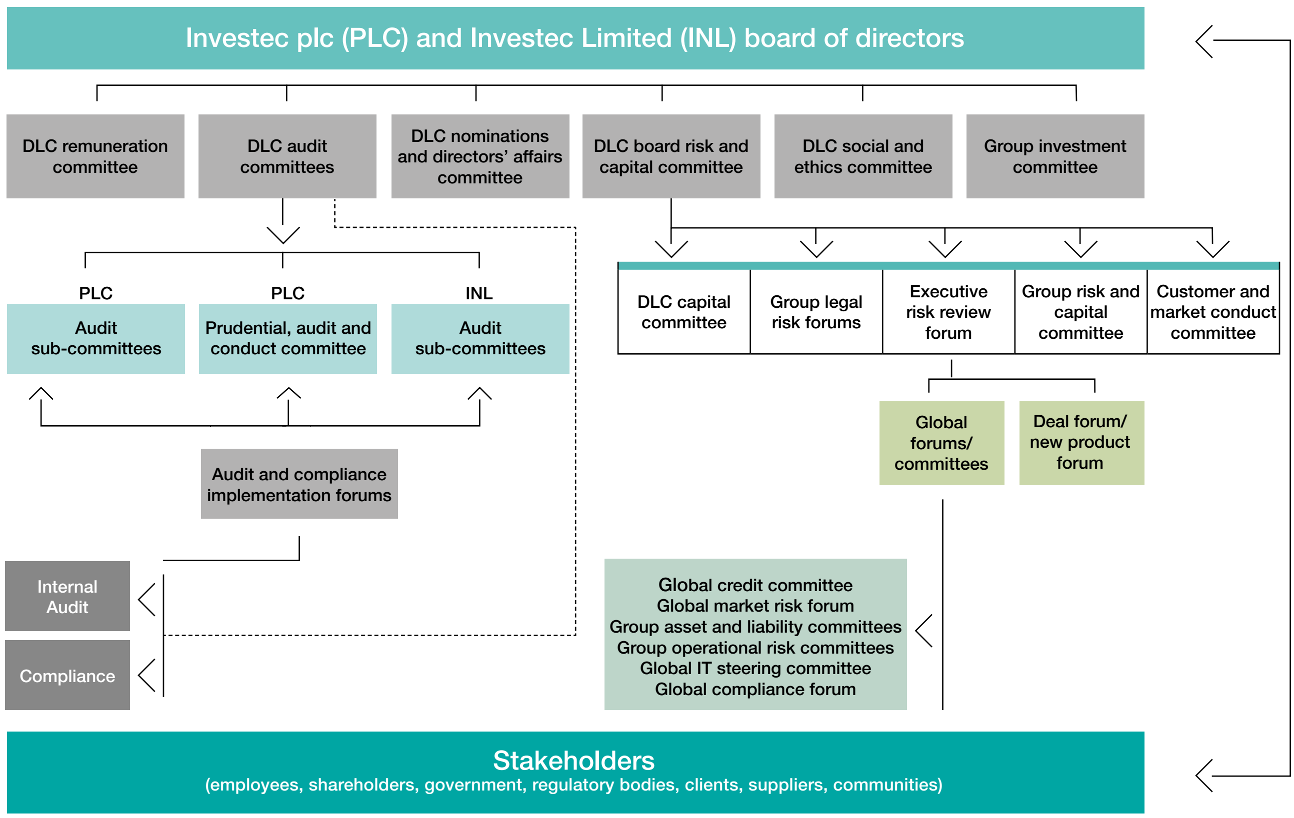
These principal risks have been highlighted on page 18.

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

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

Risk management framework, committees and forums

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



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

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

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.

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

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

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

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is no specific appetite for exposures outside of the group's pre-existing core geographies or product markets
- The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic.

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

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

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

CREDIT AND COUNTERPARTY RISK GOVERNANCE STRUCTURE

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

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

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

CREDIT AND COUNTERPARTY RISK APPETITE

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

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

We have little appetite for unsecured debt and require good quality collateral in support of obligations (refer to page 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. Where we originate loans that are considered too large for our balance sheet, these may be sold down to mitigate our concentration risk.

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

CONCENTRATION RISK

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

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

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

RISK APPETITE

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

SUSTAINABILITY CONSIDERATIONS

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

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

Refer to our sustainability report on our website.

MANAGEMENT AND MEASUREMENT OF CREDIT AND COUNTERPARTY RISK

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

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

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and 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 continue to be developed to cover all material asset classes. The internal ratings are incorporated in the risk management and decision-making process and are used in credit assessment, monitoring and approval as well as pricing.

Exposures are classified to reflect the bank's risk appetite and strategy. In our Pilliar III disclosure, exposures are classified according to the Basel asset classes which include sovereign, bank, corporate, retail, equity, securitisation and specialised lending (which is further categorised into project finance; commodities finance; high volatility commercial real estate; and income-producing commercial real estate).

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

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

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

CREDIT AND COUNTERPARTY RISK – NATURE OF LENDING ACTIVITIES

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

Lending collateralised by property

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

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

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 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, offshore banking and foreign exchange
- **Residential Mortgages** provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- **Specialised Lending** provides tailored credit facilities to high net worth individuals and their controlled entities.

An analysis of the private client loan portfolio and asset quality information is provided on pages 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 to South African corporates. This is a highly diversified, granular portfolio

that is robust, and spread across a variety of geographies and industries.

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

Asset Management

Through the course of its normal business, Investec Asset Management is constantly transacting with market counterparties. A list of approved counterparties is maintained and procedures are in place to ensure appointed counterparties meet certain standards in order to safeguard client assets being transacted with or deposited with them. Transactions are only undertaken with approved counterparties and this is enforced through logical system controls where possible. In addition to due diligence, other forms of risk management are employed to reduce the impact of a counterparty failure. These measures include market conventions such as 'Delivery versus Payment' (DVP), and where appropriate; use of collateral or contractual protection (e.g. under ISDA). Net exposure to counterparties is monitored by Investec Asset Management's Investment Risk Committee, and day-to-day monitoring is undertaken by a dedicated and independent Investment Risk Team.

ASSET QUALITY ANALYSIS – CREDIT RISK CLASSIFICATION AND PROVISIONING POLICY

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

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

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

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

CREDIT RISK MITIGATION

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

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

An analysis of collateral is provided on page 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 resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

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

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

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

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

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

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

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

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

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

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

Further information on credit derivatives is provided on page 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 is substituted with an exposure to the protection provider, after applying a 'haircut' to the value of the collateral due to currency and/or maturity mismatches between the original exposure and the collateral provided. Unfunded credit protection includes eligible guarantees and credit derivatives. Where we rely on funded protection in the form of financial collateral, the value of collateral is adjusted using the financial collateral comprehensive method. This method applies supervisory volatility adjustments to the value of the collateral, and includes the currency and maturity haircuts discussed above.

CREDIT AND COUNTERPARTY RISK YEAR IN REVIEW

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

Further information is provided in the financial review on pages 13 to 25.

Core loans and advances grew by 19.7% to R218 billion with residential owner-occupied, private client lending, corporate and public sector portfolios representing the majority of the growth for the financial year in review.

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

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.43% to 1.05% as a result of write-offs and settlements.

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

The credit loss ratio improved to 0.26% from 0.28% notwithstanding an increase in the impairment charge.

Lending collateralised by property

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

Private client activities

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

Our high net worth client portfolio and residential mortgage book growth in particular has been encouraging with a total increase of 24.8% over the year.

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

Corporate client activities

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

Credit and counterparty risk information

Pages 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 19.8% to R454 billion largely due to growth in loans and advances to customers and cash and near cash balances. Cash and near cash balances amount to R125 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.

R'million	31 March 2016	31 March 2015	% change	Average*
Cash and balances at central banks	7 801	6 261	24.6%	7 031
Loans and advances to banks	29 483	35 867	(17.8%)	32 675
Non-sovereign and non-bank cash placements	9 858	10 540	(6.5%)	10 199
Reverse repurchase agreements and cash collateral on securities borrowed	43 317	10 734	> 100%	27 025
Sovereign debt securities	41 325	31 378	31.7%	36 351
Bank debt securities	15 117	18 215	(17.0%)	16 666
Other debt securities	11 753	9 037	30.1%	10 395
Derivative financial instruments	10 756	14 878	(27.7%)	12 817
Securities arising from trading activities	539	1 046	(48.5%)	792
Loans and advances to customers (gross)	209 630	175 133	19.7%	192 381
Own originated loans and advances to customers securitised (gross)	9 244	8 069	14.6%	8 657
Other loans and advances (gross)	398	490	(18.8%)	444
Other assets	2 169	153	> 100%	1 161
Total on-balance sheet exposures	**391 390**	**321 801**	**21.6%**	**356 596**
Guarantees^	15 936	12 911	23.4%	14 424
Contingent liabilities, committed facilities and other	46 612	44 135	5.6%	45 373
Total off-balance sheet exposures	**62 548**	**57 046**	**9.6%**	**59 797**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**453 938**	**378 847**	**19.8%**	**416 393**

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

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

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

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 2016				
Cash and balances at central banks	7 801	–		7 801
Loans and advances to banks	29 483	–		29 483
Non-sovereign and non-bank cash placements	9 858	–		9 858
Reverse repurchase agreements and cash collateral on securities borrowed	43 317	–		43 317
Sovereign debt securities	41 325	–		41 325
Bank debt securities	15 117	–		15 117
Other debt securities	11 753	–		11 753
Derivative financial instruments	10 756	5 083	1	15 839
Securities arising from trading activities	539	12 027		12 566
Investment portfolio	–	4 683	1	4 683
Loans and advances to customers	209 630	(910)	2	208 720
Own originated loans and advances to customers securitised	9 244	(6)	2	9 238
Other loans and advances	398	(31)	2	367
Other securitised assets	–	201	3	201
Interest in associated undertakings	–	5 145	1	5 145
Deferred taxation assets	–	572		572
Other assets	2 169	7 427	4	9 596
Property and equipment	–	729		729
Investment properties	–	18 167		18 167
Goodwill	–	238		238
Intangible assets	–	524		524
Non-current assets classified as held for sale	–	–		–
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	123 540		123 540
Total on-balance sheet exposures	**391 390**	**177 389**		**568 779**

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

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

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

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

R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	7 801	–	–	–	–	–	7 801
Loans and advances to banks	27 625	147	370	1 341	–	–	29 483
Non-sovereign and non-bank cash placements	9 858	–	–	–	–	–	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	31 270	283	7 484	3 591	689	–	43 317
Sovereign debt securities	7 144	10 446	4 689	5 832	7 645	5 569	41 325
Bank debt securities	1 472	2 983	2 078	6 898	1 482	204	15 117
Other debt securities	1 260	–	–	4 954	5 413	126	11 753
Derivative financial instruments	3 642	1 453	850	2 711	2 100	–	10 756
Securities arising from trading activities	154	2	–	79	304	–	539
Loans and advances to customers (gross)	18 042	8 844	15 372	102 216	22 192	42 964	209 630
Own originated loans and advances to customers securitised (gross)	6	–	–	42	376	8 820	9 244
Other loans and advances (gross)	–	–	–	398	–	–	398
Other assets	2 169	–	–	–	–	–	2 169
Total on-balance sheet exposures	**110 443**	**24 158**	**30 843**	**128 062**	**40 201**	**57 683**	**391 390**
Guarantees^	4 458	537	561	8 591	1 315	474	15 936
Contingent liabilities, committed facilities and other	12 943	389	2 804	13 838	2 246	14 392	46 612
Total off-balance sheet exposures	**17 401**	**926**	**3 365**	**22 429**	**3 561**	**14 866**	**62 548**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**127 844**	**25 084**	**34 208**	**150 491**	**43 762**	**72 549**	**453 938**

^ *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	High net worth and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
At 31 March 2016						
Cash and balances at central banks	–	–	–	–	7 801	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	–	–	102	562
Reverse repurchase agreements and cash collateral on securities	623	–	–	–	–	151
Sovereign debt securities	–	–	–	–	41 325	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	98	2 686	–
Derivative financial instruments	–	–	36	205	–	156
Securities arising from trading activities	–	–	–	7	330	–
Loans and advances to customers (gross)	95 044	41 077	2 256	4 809	6 377	8 908
Own originated loans and advances to customers securitised (gross)	9 244	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	1	–	–	2
Total on-balance sheet exposures	**104 911**	**41 077**	**2 293**	**5 119**	**58 621**	**9 779**
Guarantees^	3 545	842	–	990	1 917	30
Contingent liabilities, committed facilities and other	25 298	2 265	432	814	309	782
Total off-balance sheet exposures	**28 843**	**3 107**	**432**	**1 804**	**2 226**	**812**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**133 754**	**44 184**	**2 725**	**6 923**	**60 847**	**10 591**
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	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**

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

Finance and insurance	Retailers and whole-salers	Manufac-turing and commerce	Construc-tion	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	–	7 801
29 483	–	–	–	–	–	–	–	–	–	29 483
3 337	1 781	1 469	211	–	–	1 581	–	312	503	9 858
41 794	–	675	–	–	–	–	–	74	–	43 317
–	–	–	–	–	–	–	–	–	–	41 325
15 117	–	–	–	–	–	–	–	–	–	15 117
2 129	–	658	–	–	–	2 509	–	–	3 673	11 753
8 876	252	203	–	676	–	159	21	83	89	10 756
83	–	16	–	–	–	–	–	103	–	539
11 977	2 378	10 128	3 424	6 251	–	4 682	1 819	4 071	6 429	209 630
–	–	–	–	–	–	–	–	–	–	9 244
–	–	–	–	–	398	–	–	–	–	398
484	1 556	92	3	–	–	–	20	–	11	2 169
113 280	**5 967**	**13 241**	**3 638**	**6 927**	**398**	**8 931**	**1 860**	**4 643**	**10 705**	**391 390**
6 328	62	136	–	11	–	1 822	–	65	188	15 936
5 924	1 664	1 142	222	100	–	4 514	3	2 208	935	46 612
12 252	**1 726**	**1 278**	**222**	**111**	**–**	**6 336**	**3**	**2 273**	**1 123**	**62 548**
125 532	**7 693**	**14 519**	**3 860**	**7 038**	**398**	**15 267**	**1 863**	**6 916**	**11 828**	**453 938**
–	–	–	–	–	–	–	–	–	–	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**

Private client loans account for 66.4% of total gross core loans and advances, as represented by the industry classification 'high net worth and professional individuals and lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending 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, diversified across several industries.

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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
High net worth and professional individuals	104 288	83 536	29 466	31 285	133 754	114 821
Lending collateralised by property – largely to private clients	41 077	38 031	3 107	6 890	44 184	44 921
Agriculture	2 256	869	469	474	2 725	1 343
Electricity, gas and water (utility services)	4 809	4 794	2 114	5 250	6 923	10 044
Public and non-business services	6 377	1 004	54 470	39 455	60 847	40 459
Business services	8 908	6 777	1 683	1 723	10 591	8 500
Finance and insurance	11 977	8 602	113 555	86 491	125 532	95 093
Retailers and wholesalers	2 378	2 140	5 315	3 060	7 693	5 200
Manufacturing and commerce	10 128	9 505	4 391	5 029	14 519	14 534
Construction	3 424	2 749	436	522	3 860	3 271
Corporate commercial real estate	6 251	6 441	787	975	7 038	7 416
Other residential mortgages	–	–	398	490	398	490
Mining and resources	4 682	4 010	10 585	6 489	15 267	10 499
Leisure, entertainment and tourism	1 819	1 605	44	80	1 863	1 685
Transport	4 071	7 088	2 845	3 949	6 916	11 037
Communication	6 429	6 051	5 399	3 483	11 828	9 534
Total	**218 874**	**183 202**	**235 064**	**195 645**	**453 938**	**378 847**

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

Core loans and advances comprise:

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

At 31 March R'million	2016	2015
Loans and advances to customers as per the balance sheet	208 720	173 994
Add: own originated loans and advances securitised as per the balance sheet	9 238	8 064
Net core loans and advances to customers	**217 958**	**182 058**

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 2016	31 March 2015
Gross core loans and advances to customers	**218 874**	**183 202**
Total impairments	**(916)**	**(1 144)**
Specific impairments	(681)	(972)
Portfolio impairments	(235)	(172)
Net core loans and advances to customers	**217 958**	**182 058**
Average gross core loans and advances to customers	**201 038**	**170 662**
Current loans and advances to customers	214 511	178 265
Past due loans and advances to customers (1 – 60 days)	734	528
Special mention loans and advances to customers	415	666
Default loans and advances to customers	3 214	3 743
Gross core loans and advances to customers	**218 874**	**183 202**
Current loans and advances to customers	214 511	178 265
Default loans that are current and not impaired	867	787
Gross core loans and advances to customers that are past due but not impaired	1 664	1 756
Gross core loans and advances to customers that are impaired	1 832	2 394
Gross core loans and advances to customers	**218 874**	**183 202**
Total income statement charge for impairments on core loans and advances	**(526)**	**(483)**
Gross default loans and advances to customers	3 214	3 743
Specific impairments	(681)	(972)
Portfolio impairments	(235)	(172)
Defaults net of impairments	**2 298**	**2 599**
Aggregate collateral and other credit enhancements on defaults	3 700	3 732
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.42%	0.62%
Total impairments as a % of gross default loans	28.50%	30.56%
Gross defaults as a % of gross core loans and advances to customers	1.47%	2.04%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.05%	1.43%
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)	0.26%	0.28%

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

31 March R'million	2016	2015
Default loans that are current	1 922	1 533
1 – 60 days	1 281	1 473
61 – 90 days	94	145
91 – 180 days	304	255
181 – 365 days	110	200
> 365 days	652	1 331
Past due and default core loans and advances to customers (actual capital exposure)	**4 363**	**4 937**
1 – 60 days	258	543
61 – 90 days	12	37
91 – 180 days	125	130
181 – 365 days	30	147
> 365 days	337	963
Past due and default core loans and advances to customers (actual amount in arrears)	**762**	**1 820**

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 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	867	–	–	–	–	–	867
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 125	70	216	68	185	1 664
Amount in arrears	–	254	6	104	14	140	518
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 055	156	24	88	42	467	1 832
Amount in arrears	–	4	6	21	16	197	244
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

RISK MANAGEMENT AND CORPORATE GOVERNANCE

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

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

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

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

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

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 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 2016								
Current core loans and advances	**214 511**	**–**	**–**	**214 511**	**–**	**(231)**	**214 280**	**–**
Past due (1 – 60 days)	**–**	**734**	**–**	**734**	**–**	**(3)**	**731**	**59**
Special mention	**–**	**415**	**–**	**415**	**–**	**(1)**	**414**	**165**
Special mention (1 – 90 days)	–	360	–	360	–	(1)	359	160
Special mention (61 – 90 days and item well secured)	–	55	–	55	–	–	55	5
Default	**867**	**515**	**1 832**	**3 214**	**(681)**	**–**	**2 533**	**538**
Sub-standard	867	515	–	1 382	–	–	1 382	293
Doubtful	–	–	1 832	1 832	(681)	–	1 151	245
Total	**215 378**	**1 664**	**1 832**	**218 874**	**(681)**	**(235)**	**217 958**	**762**
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**

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

R'million	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 31 March 2016						
Current core loans and advances	**141 931**	**49 350**	**11 925**	**6 363**	**4 942**	**214 511**
Past due (1 – 60 days)	**554**	**100**	**–**	**–**	**80**	**734**
Special mention	**402**	**–**	**–**	**–**	**13**	**415**
Special mention (1 – 90 days)	360	–	–	–	–	360
Special mention (61 – 90 days and item well secured)	42	–	–	–	13	55
Default	**2 478**	**505**	**52**	**14**	**165**	**3 214**
Sub-standard	1 313	–	52	14	3	1 382
Doubtful	1 165	505	–	–	162	1 832
Total gross core loans and advances to customers	**145 365**	**49 955**	**11 977**	**6 377**	**5 200**	**218 874**
Total impairments	**(495)**	**(270)**	**(4)**	**(4)**	**(143)**	**(916)**
Specific impairments	(306)	(232)	–	–	(143)	(681)
Portfolio impairments	(189)	(38)	(4)	(4)	–	(235)
Net core loans and advances to customers	**144 870**	**49 685**	**11 973**	**6 373**	**5 057**	**217 958**
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**

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**41 077**	**971**	**1 156**	**(205)**	**(80)**
Commercial real estate	**37 677**	**501**	**666**	**(140)**	**(70)**
Commercial real estate – investment	34 179	366	482	(97)	(40)
Commercial real estate – development	2 385	31	24	(19)	(8)
Commercial vacant land and planning	1 113	104	160	(24)	(22)
Residential real estate	**3 400**	**470**	**490**	**(65)**	**(10)**
Residential real estate – development	1 668	194	217	(14)	(71)
Residential vacant land and planning	1 732	276	273	(51)	61
High net worth and other private client lending	**104 288**	**1 507**	**2 177**	**(290)**	**(286)**
Mortgages	55 763	502	849	(80)	(48)
High net worth and specialised lending	48 525	1 005	1 328	(210)	(238)
Corporate and other lending	**73 509**	**736**	**367**	**(421)**	**(160)**
Acquisition finance	14 664	329	286	(70)	(98)
Asset-based lending	5 211	165	56	(143)	(51)
Other corporate and financial institutions and governments	42 622	106	25	(60)	(19)
Asset finance	4 081	–	–	(12)	21
Small ticket asset finance	1 421	–	–	–	13
Large ticket asset finance	2 660	–	–	(12)	8
Project finance	6 424	–	–	–	123
Resource finance	507	136	–	(136)	(136)
Total	**218 874**	**3 214**	**3 700**	**(916)**	**(526)**

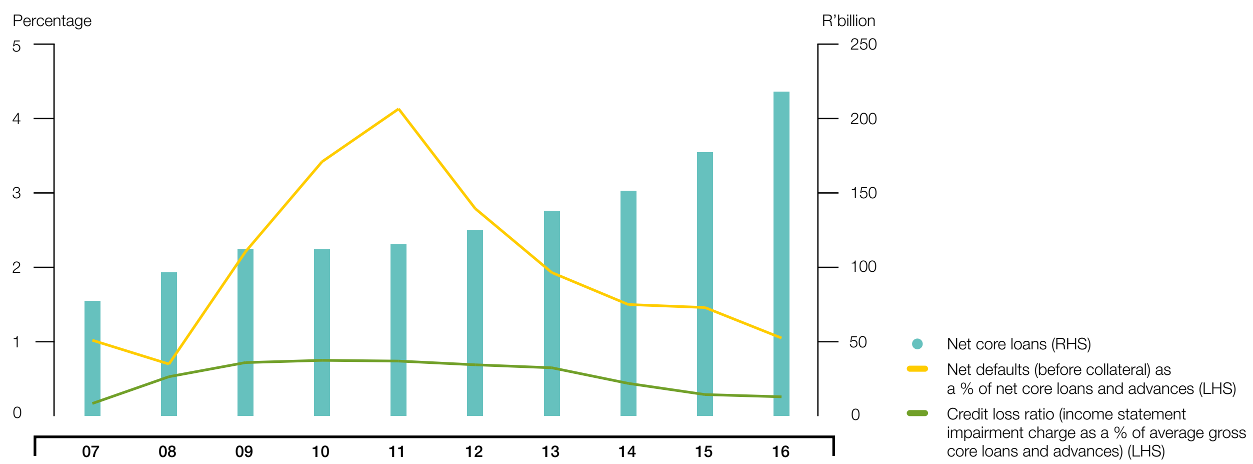
^ *Where a positive number represents a recovery.*

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**38 031**	**1 311**	**1 303**	**(430)**	**(179)**
Commercial real estate	**34 921**	**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.*

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 2016			
Eligible financial collateral	**51 748**	**24 555**	**76 303**
Listed shares	50 769	7 905	58 674
Cash	979	22	1 001
Debt securities issued by sovereigns	–	16 628	16 628
Property charge	**283 954**	**587**	**284 541**
Residential property	143 882	482	144 364
Commercial property developments	12 078	105	12 183
Commercial property investments	127 994	–	127 994
Other collateral	**54 733**	**1 354**	**56 087**
Unlisted shares	8 093	–	8 093
Charges other than property	10 940	–	10 940
Debtors, stock and other corporate assets	5 703	–	5 703
Guarantees	20 737	35	20 772
Other	9 260	1 319	10 579
Total collateral	**390 435**	**26 496**	**416 931**
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**

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

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

Investment risk in the banking book

INVESTMENT RISK DESCRIPTION

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

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

MANAGEMENT OF INVESTMENT RISK

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

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

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

VALUATION AND ACCOUNTING METHODOLOGIES

For a description of our valuation principles and methodologies refer to pages 133 to 137 and pages 157 to 166 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 0.63% of total assets.

Refer to page 157 for further information.

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

For the year to 31 March R'million	Income/(loss) (pre-funding costs) Unrealisedº	Realisedº	Dividends	Total	Fair value through equity
2016					
Unlisted investments	(3 839)	4 951	190	1 302	(2)
Listed equities	188	26	77	291	(12)
Investment and trading properties^	520	199	–	719	–
Warrants, profit shares and other embedded derivatives	(56)	274	–	218	–
Total	**(3 187)**	**5 450**	**267**	**2 530**	**(14)**
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)**

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6% (2015: 33.1%). It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

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

Unrealised revaluation gains through profit and loss are included in tier 1 capital. 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 2016	Valuation change stress test 2016*	On-balance sheet value of investments 2015	Valuation change stress test 2015*
Unlisted investments**	2 890	433	9 386	1 408
Listed equities	1 793	448	1 425	356
Investment and trading properties^^	9 133	1 113	6 450	807
Warrants, profit shares and other embedded derivatives	237	83	299	104
Investment in associate (IEP)ºº	5 086	763	–	–
Total	**19 139**	**2 840**	**17 560**	**2 675**

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

^^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6% in 2016 and 33.1% in 2015.*

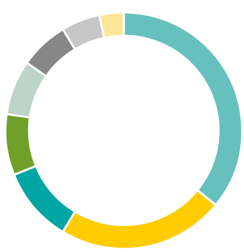
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress-testing parameters are applied:*

ºº *As explained on page 56.*

Additional information

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

AN ANALYSIS OF THE INVESTMENT PORTFOLIO WARRANTS, PROFIT SHARES AND OTHER EMBEDDED DERIVATIVES BY INDUSTRY OF EXPOSURE



31 March 2016 (R10.0 billion)

36.1%	Manufacturing and commerce
22.7%	Finance and insurance
10.2%	Mining and resources
8.5%	Other
7.4%	Real estate
6.5%	Business services
5.4%	Retailers and wholesalers
3.2%	Communication

STRESS TESTING SUMMARY

Based on the information at 31 March 2016, as reflected on page 57, we could have a R2.8 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 84 for further detail.

Securitisation/ structured credit activities exposures

OVERVIEW

The group'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 2016 are not material, and therefore no further information is disclosed for these positions.

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

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

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

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

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 R0.8 billion at 31 March 2016 (31 March 2015: R1.4 billion). We sold a number of these investments during the year. These investments are risk weighted for regulatory capital purposes.

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

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

Total assets that have been originated and securitised by the Private Client division amount to R9.2 billion at 31 March 2016 (31 March 2015: R8.1 billion) and consist of residential mortgages (R9.2 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R14.5 million.

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

For regulatory capital purposes, the equity tranche held in the FS1 and FS2 transaction is treated as a deduction against capital. The group has no resecuritisation exposures in South Africa.

ACCOUNTING POLICIES

Refer to page 134.

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 2016 R'million	Exposure 2015 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	772	1 576	Other debt securities	
Rated	772	1 420		
Unrated	–	156		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) (net exposure)	367	472	Other loans and advances	
Private Client division assets which have been securitised	9 238	8 064	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances
Liquidity facilities provided to third party corporate securitisation vehicles	15	200	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank	

*Analysis of structured rated and unrated structured credit

At 31 March R'million	2016 Rated**	2016 Unrated	2016 Total	2015 Rated**	2015 Unrated	2015 Total
US corporate loans	–	–	–	35	–	35
UK and European RMBS	646	–	646	1 251	–	1 251
UK and European corporate loans	–	–	–	–	156	156
Australian RMBS	126	–	126	134	–	134
Total	**772**	**–**	**772**	**1 420**	**156**	**1 576**

** *Analysed further on page 60.*

****Further analysis of rated structured credit at 31 March 2016**

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

Market risk in the trading book

TRADED MARKET RISK DESCRIPTION

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

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

TRADED MARKET RISK GOVERNANCE STRUCTURE

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

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

MANAGEMENT AND MEASUREMENT OF TRADED MARKET RISK

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

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

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

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

The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested.

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

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

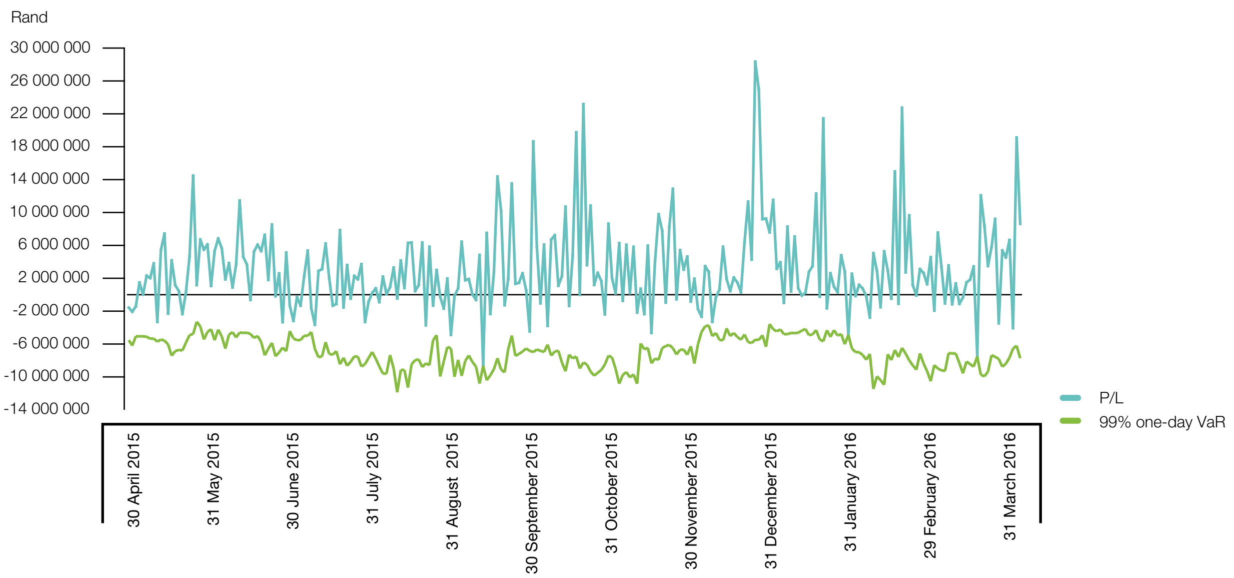
VAR

	31 March 2016				31 March 2015			
R'million	**Year end**	**Average**	**High**	**Low**	**Year end**	**Average**	**High**	**Low**
95% (one-day)								
Commodities	0.1	0.1	0.2	–	–	0.1	0.5	–
Equities	2.6	2.3	5.8	1.2	1.7	2.7	6.7	0.7
Foreign exchange	3.0	2.6	6.4	1.2	3.0	3.1	5.9	1.1
Interest rates	1.1	1.2	3.0	0.5	2.7	1.6	3.5	0.9
Consolidated*	**4.8**	**3.9**	**8.5**	**1.8**	**3.5**	**4.4**	**7.7**	**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).*

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

99% ONE-DAY VaR BACKTESTING



ETL 95% (ONE DAY)

For the year to 31 March R'million	2016	2015
Commodities	0.2	–
Equities	6.2	2.5
Foreign exchange	4.4	4.4
Interest rates	1.7	3.8
Consolidated*	**8.4**	**5.1**

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

STRESS TESTING

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

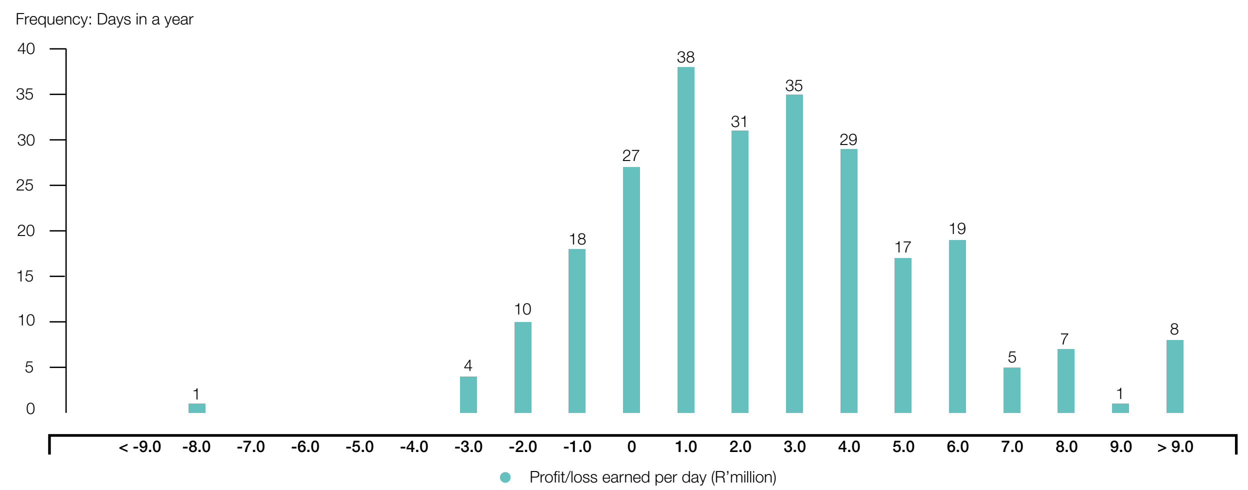
	31 March 2016				
For the year to R'million	**Year end**	**Average**	**High**	**Low**	**31 March 2015 Year end**
99% (using 99% EVT)					
Commodities	0.4	0.2	1.9	–	0.1
Equities	48.3	20.6	50.2	3.2	9.6
Foreign exchange	11.7	13.3	72.2	4.4	16.2
Interest rates	7.6	5.5	12.9	3.0	7.7
Consolidated*	**47.2**	**23.7**	**55.7**	**7.3**	**13.5**

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

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 190 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year to 31 March 2016 was R2.1 million (2015: R1.5 million).

PROFIT AND LOSS



TRADED MARKET RISK MITIGATION

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independent oversight. The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation, ensuring models used for valuation and risk are validated independently of the front office.

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

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

TRADED MARKET RISK YEAR IN REVIEW

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

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

MARKET RISK – DERIVATIVES

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 169.

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, encumbrance and leverage risks on balance sheet.

BALANCE SHEET RISK GOVERNANCE STRUCTURE AND RISK MITIGATION

Under delegated authority of the board, the group has established asset and liability 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 where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

In terms of regulatory requirements and the group's liquidity policy, Investec plc (and its subsidiaries) are ring-fenced from Investec Limited (and its subsidiaries) (and *vice versa*) and both legal entities are therefore required to be self-funded.

The ALCOs comprise the group risk director, the head of balance sheet risk, the head of risk, the head of corporate and institutional banking activities, head of private banking distribution channels, economists, the treasurer, divisional heads, and the balance sheet risk management team. The ALCOs formally meet on a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Central Treasury function within each region is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The treasurers are required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The Central Treasury, by core geography, directs pricing for all deposit products, establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions. The Central Treasury functions are the sole interface to the wholesale market for both cash and derivative transactions.

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

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

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

The parameters used in the scenarios are reviewed regularly, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event risk on cash flow, liquidity, profitability and solvency position, so as to maintain sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite.

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

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

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

There is a regular audit of the Balance Sheet Risk Management function, the frequency of which is determined by the independent audit committees.

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

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

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

LIQUIDITY RISK

Liquidity risk description

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

Liquidity risk is further broken down into:

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

Sources of liquidity risk include:

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

Management and measurement of liquidity risk

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

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

- The group complies with the BCBS principles for sound liquidity risk management and supervision
- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring as phased in from 2015
- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the SARB and BOM
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- In terms of regulatory requirements and the group's liquidity policy, Investec plc (and its subsidiaries) are ring-fenced from Investec Limited (and its subsidiaries) (and *vice versa*) and both legal entities are therefore required to be self-funded
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- We further carry out reverse stress tests to identify business model vulnerabilities which tests 'tail risks' that can be missed in normal stress tests. The group has calculated the severity of stress required to breach the liquidity requirements
- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruption
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business.

Asset encumbrance

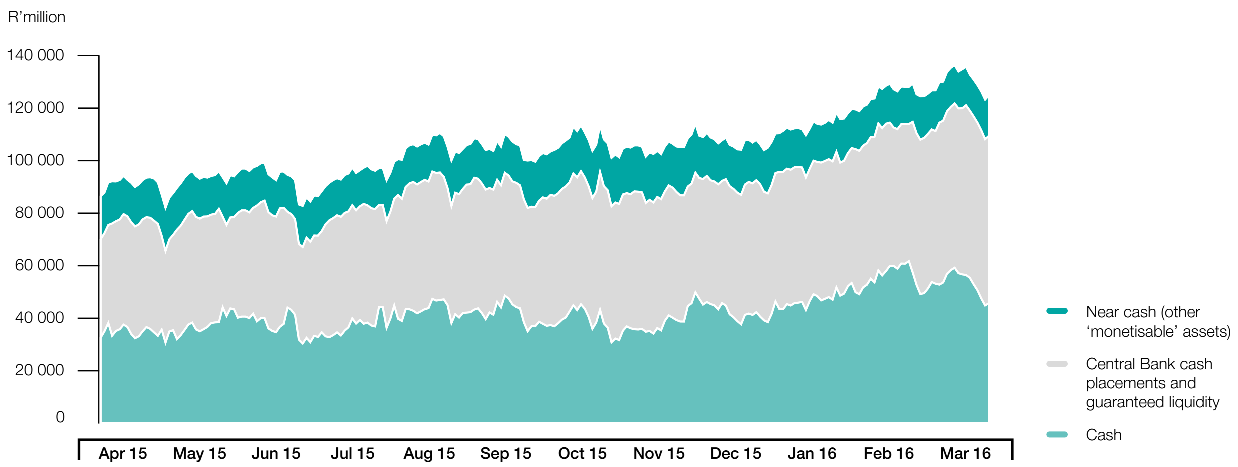
An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it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

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

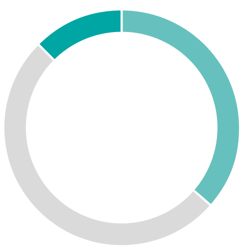
The group uses secured transactions to manage short-term cash and collateral needs. Details of assets pledged through repurchase activity and collateral pledges are reported by line item of the balance sheet on which they are reflected on page 126. Related liabilities are also reported.

On page 167 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

INVESTEC LIMITED CASH AND NEAR CASH TREND



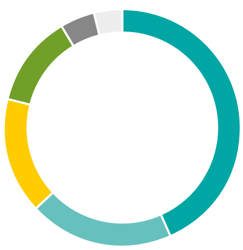
AN ANALYSIS OF CASH AND NEAR CASH AT 31 MARCH 2016



R124 907 million

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

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



R319 883 million

43.4%	Other financials
19.7%	Non-financial corporates
16.0%	Individuals
12.5%	Banks
4.6%	Public sector
3.8%	Small business

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

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch across our core geographies.

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

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

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Contractual liquidity at 31 March 2016

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	28 660	5 818	766	397	250	1 393	–	37 284
Cash and short-term funds – non-banks	9 582	4	232	40	–	–	–	9 858
Investment/trading assets and statutory liquids	61 907	26 672	4 653	2 930	3 651	32 632	35 467	167 912
Securitised assets	82	14	54	102	176	1 531	7 480	9 439
Advances	7 116	4 578	10 871	14 423	24 690	97 240	50 169	209 087
Other assets	1 241	1 222	433	138	419	1 658	6 548	11 659
Assets	**108 588**	**38 308**	**17 009**	**18 030**	**29 186**	**134 454**	**99 664**	**445 239**
Deposits – banks	(5 066)	(2 042)	(2 168)	(2 290)	(9 529)	(18 058)	(910)	(40 063)
Deposits – non-banks	(127 024)^	(26 706)	(51 978)	(20 915)	(23 954)	(26 806)	(2 437)	(279 820)
Negotiable paper	–	(661)	(2 296)	(265)	(310)	(8 896)	(351)	(12 779)
Securitised liabilities	–	–	–	–	–	–	(1 810)	(1 810)
Investment/trading liabilities	(854)	(20 047)	(6 036)	(1 153)	(10 062)	(6 990)	(639)	(45 781)
Subordinated liabilities	–	–	–	–	–	(1 032)	(10 325)	(11 357)
Other liabilities	(2 292)	(1 007)	(945)	(385)	(786)	(405)	(5 958)	(11 778)
Liabilities	**(135 236)**	**(50 463)**	**(63 423)**	**(25 008)**	**(44 641)**	**(62 187)**	**(22 430)**	**(403 388)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(41 851)**	**(41 851)**
Contractual liquidity gap	**(26 648)**	**(12 155)**	**(46 414)**	**(6 978)**	**(15 455)**	**72 267**	**35 383**	**–**
Cumulative liquidity gap	(26 648)	(38 803)	(85 217)	(92 195)	(107 650)	(35 383)	–	–

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

Behavioural liquidity

As discussed on page 68.

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	**46 845**	**18 812**	**(1 112)**	**(630)**	**(10 689)**	**(130 459)**	**77 233**	**–**
Cumulative	46 845	65 657	64 545	63 915	53 226	(77 233)	–	–

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

BALANCE SHEET RISK YEAR IN REVIEW

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

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

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

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

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

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

REGULATORY CONSIDERATIONS – BALANCE SHEET RISK

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

Two key liquidity measures were defined:

- The liquidity coverage ratio (LCR) is designed to promote short-term resilience of one-month liquidity profile, by ensuring that banks have sufficient high quality liquid assets to meet potential outflows in a stressed environment. The BCBS published the final calibration of the LCR in January 2013. The LCR ratio is being phased in from 2015 to 2019.
- The net stable funding ratio (NSFR) is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities. The BCBS published the final consultation document on the NSFR in October 2014. The NSFR ratio will be introduced in 2018.

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

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

However, there are certain shortcomings and constraints in the South African environment and the banking sector in South Africa is characterised by certain structural features such as:

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services

- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework
- South Africa has an insufficient supply of level 1 assets in domestic currency to meet the aggregate demand.

Nevertheless, there are various regulatory and economic barriers that prevent liquidity from flowing out of the domestic economy. Namely, South Africa has exchange control that limits capital flows, along with prudential requirements on financial corporates.

A positive consequence of the above is that the Rand funding that the South African banks use is contained within the financial system and therefore the Rand is unlikely to be drained by currency withdrawal from offshore sources, or placements in offshore accounts.

To address this systemic challenge, the SARB exercised national discretion and has announced:

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

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

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

NON-TRADING INTEREST RATE RISK DESCRIPTION

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

Sources of interest rate risk include:

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

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

MANAGEMENT AND MEASUREMENT OF NON-TRADING INTEREST RATE RISK

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

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

designed for the Private Banking customers, both match market curves and can be hedged if necessary

- Pricing for all deposit products is set centrally. In doing so we manage access to funding at cost-effective levels, considering also the stressed liquidity value of the liabilities
- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent risk and ALCO review
- Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or embedded option risk. This is performed for a variety of interest rate scenarios, covering:
  - Interest rate expectations and perceived risks to the central view
  - Standard shocks to levels and shapes of interest rates and yield curves
  - Historically-based yield curve changes.

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

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

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

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

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

Interest rate sensitivity gap

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

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	26 392	9	–	40	–	7 527	33 968
Cash and short-term funds – non-banks	9 814	40	–	–	–	4	9 858
Investment/trading assets and statutory liquids	46 484	24 787	–	14 490	6 024	45 981	137 766
Securitised assets	9 439	–	–	–	–	–	9 439
Advances	189 537	4 382	1 761	11 054	2 352	1	209 087
Other assets	1 177	–	–	–	–	9 496	10 673
Assets	**282 843**	**29 218**	**1 761**	**25 584**	**8 376**	**63 009**	**410 791**
Deposits – banks	(39 329)	(10)	(724)	–	–	–	(40 063)
Deposits – non-banks	(234 608)	(14 827)	(15 252)	(11 875)	(1 659)	(1 526)	(279 747)
Negotiable paper	(6 562)	(189)	(151)	(5 877)	–	–	(12 779)
Securitised liabilities	(1 807)	–	–	–	–	(3)	(1 810)
Investment/trading liabilities	(174)	–	(1 837)	(96)	–	(14 105)	(16 212)
Subordinated liabilities	(9 338)	(1 340)	–	(556)	–	(123)	(11 357)
Other liabilities	(103)	–	–	(25)	–	(10 767)	(10 895)
Liabilities	**(291 921)**	**(16 366)**	**(17 964)**	**(18 429)**	**(1 659)**	**(26 524)**	**(372 863)**
Intercompany loans	**3 588**	**(168)**	**2 732**	**3 436**	**550**	**(5)**	**10 133**
Shareholders' funds	**(3 861)**	**–**	**–**	**–**	**(1 724)**	**(36 266)**	**(41 851)**
Balance sheet	**(9 351)**	**12 684**	**(13 471)**	**10 591**	**5 543**	**214**	**6 210**
Off-balance sheet	**12 932**	**(1 656)**	**2 046**	**(12 119)**	**(7 354)**	**(59)**	**(6 210)**
Repricing gap	**3 581**	**11 028**	**(11 425)**	**(1 528)**	**(1 811)**	**155**	**–**
Cumulative repricing gap	3 581	14 609	3 184	1 656	(155)	–	–

Economic value sensitivity at 31 March 2016

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

	Sensitivity to the following interest rates (expressed in original currencies)						
R'million	**ZAR**	**GBP**	**USD**	**EUR**	**AUD**	**Other (ZAR)**	**All (ZAR)**
200bps down	317.8	3.8	5.9	(9.6)	0.9	(13.3)	322.1
200bps up	(257.6)	(3.5)	(5.1)	4.1	(1.0)	11.6	(336.3)

Operational risk

OPERATIONAL RISK DEFINITION

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

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

OPERATIONAL RISK MANAGEMENT FRAMEWORK

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

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

Practices consist of the following:

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

GOVERNANCE

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

ASSURANCE

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

RELIANCE

RISK APPETITE AND TOLERANCE

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

LOOKING FORWARD

Key operational risk considerations

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

INSURANCE

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

Business continuity management

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

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

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

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

Recovery and resolution planning

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

The recovery plans for Investec Limited:

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

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The SARB has adopted this requirement and has to date required South African domestically significant banking institutions to develop recovery plans. Guidance issued by the Financial Stability Board and the SARB has been incorporated into Investec's recovery plan.

The SARB has continued to focus on finalising the recovery plans for the local banks and together with the South African Treasury are considering legislation to adopt a resolution framework. A discussion document for public comment has been issued during the period under review. We will be subject to this legislation once it is adopted.

Reputational and strategic risk

Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made by the board and also arises as a result of other risks manifesting and not being mitigated.

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

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

Legal risk management

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

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

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

- Relationship contracts
- Legislation/governance

- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

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

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

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

Conduct risk

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

Capital management and allocation

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. Capital requirements for equity risk capital is calculated using the internal ratings-based (IRB) approach by applying the simple risk-weight method. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

Various subsidiaries of Investec 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 has always held capital in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital adequacy ratio target 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.

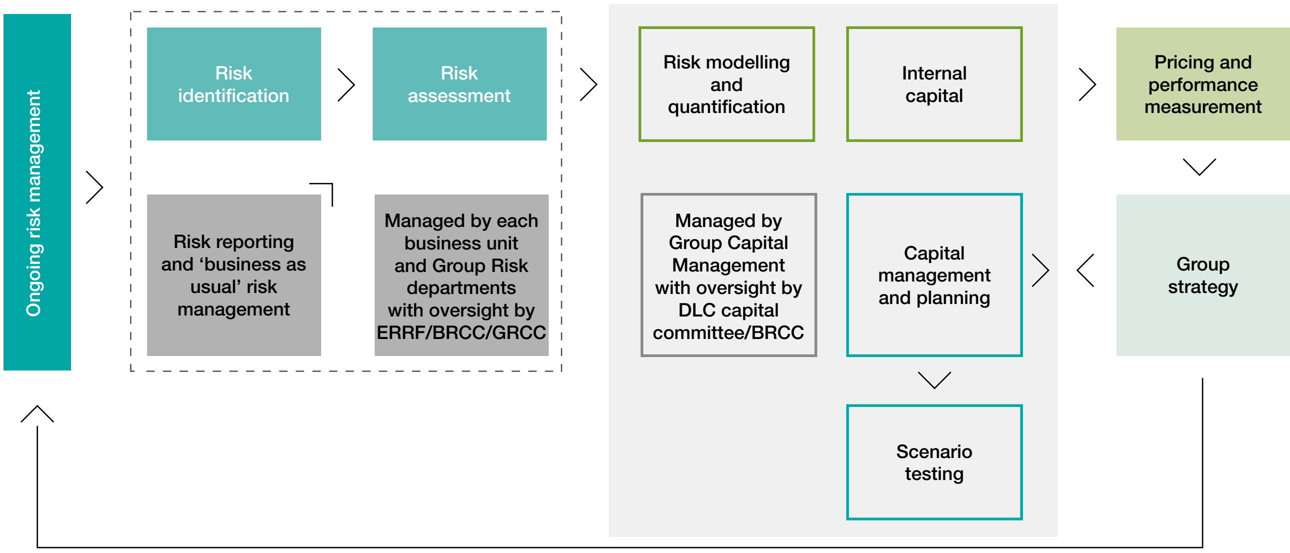
The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's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

THE (SIMPLIFIED) INTEGRATION OF RISK AND CAPITAL MANAGEMENT



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

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
  - Banking book interest rate risk.
- Strategic and reputational risks

- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to, fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant review of the underlying business environment.

CAPITAL PLANNING AND STRESS/SCENARIO TESTING

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

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

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

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

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

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

PRICING AND PERFORMANCE MEASUREMENT

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

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

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

REGULATORY CAPITAL AND REQUIREMENTS

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

- Common equity tier 1 capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (for example, 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 183 to 190.

At 31 March 2016	Investec Limited*^ R'million	IBL* R'million
Tier 1 capital		
Shareholders' equity	28 444	30 331
Shareholders' equity per balance sheet	31 627	31 865
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	8 140	–
Non-controlling interests excluded for regulatory purposes	(8 140)	–
Regulatory adjustments to the accounting basis	1 842	1 839
Cash flow hedging reserve	1 842	1839
Deductions	(762)	(695)
Goodwill and intangible assets net of deferred tax	(762)	(695)
Common equity tier 1 capital	**29 524**	**31 475**
Additional tier 1 capital	**3 418**	**920**
Additional tier 1 instruments	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	(1 887)	(614)
Non-qualifying surplus capital attributable to non-controlling interests	(36)	–
Non-controlling interest in non-banking entities	74	–
Tier 1 capital	**32 942**	**32 395**
Tier 2 capital	**10 253**	**10 726**
Collective impairment allowances	229	229
Tier 2 instruments	11 357	10 732
Phase out of non-qualifying tier 2 instruments	(235)	(235)
Non-qualifying surplus capital attributable to non-controlling interests	(1 098)	–
Total regulatory capital	**43 195**	**43 121**
Risk-weighted assets	**309 052**	**295 752**
Capital ratios		
Common equity tier 1 ratio	9.6%	10.6%
Tier 1 ratio	10.7%	11.0%
Total capital adequacy ratio	14.0%	14.6%

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

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

CAPITAL STRUCTURE AND CAPITAL ADEQUACY *(continued)*

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 REQUIREMENTS

At 31 March 2016	Investec Limited* R'million	IBL* R'million
Capital requirements	**32 064**	**30 684**
Credit risk – prescribed standardised exposure classes	23 978	23 603
Corporates	13 402	13 278
Secured on real estate property	2 943	2 943
Short-term claims on institutions and corporates	4 905	4 876
Retail	483	483
Institutions	813	813
Other exposure classes	1 028	806
Securitisation exposures	404	404
Equity risk	4 104	4 005
Listed equities	334	305
Unlisted equities	3 770	3 700
Counterparty credit risk	569	569
Credit valuation adjustment risk	185	185
Market risk	501	475
Interest rate	66	66
Foreign exchange	212	212
Commodities	5	4
Equities	218	193
Operational risk – standardised approach	2 727	1 847
At 31 March 2015		
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

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

RISK-WEIGHTED ASSETS

At 31 March 2016	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	**309 052**	**295 752**
Credit risk – prescribed standardised exposure classes	231 113	227 504
Corporates	129 178	127 985
Secured on real estate property	28 361	28 361
Short-term claims on institutions and corporates	47 273	47 001
Retail	4 660	4 660
Institutions	7 838	7 838
Other exposure classes	9 910	7 766
Securitisation exposures	3 893	3 893
Equity risk	39 560	38 603
Listed equities	3 219	2 937
Unlisted equities	36 341	35 666
Counterparty credit risk	5 486	5 486
Credit valuation adjustment risk	1 783	1 783
Market risk	4 825	4 578
Interest rate	636	636
Foreign exchange	2 039	2 039
Commodities	46	46
Equities	2 104	1 857
Operational risk – standardised approach	26 285	17 798
At 31 March 2015		
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

* *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 15% over the period, with approximately 75% of this growth attributable to credit risk, 13% 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 R32.8 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 2016 financial year.

Counterparty credit risk and credit valuation adjustment RWAs
Counterparty credit risk RWAs decreased marginally by R276 million, while CVA over the period increased by R1.5 billion. 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 resulted in a significantly higher (but more stable) CVA RWAs for Investec Limited. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs
Equity risk grew by approximately R1.2 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 an increase, due to increased market volatility.

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 2016	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**25 831**	**28 315**
New capital issues	3 825	–
Dividends	(2 611)	(120)
Profit after taxation	5 920	3 475
Treasury shares	(1 481)	–
Gain on transfer of non-controlling interests	34	–
Share-based payment adjustments	592	–
Movement in other comprehensive income	46	(389)
Goodwill and intangible assets (deduction net of related taxation liability)	(471)	(505)
Other, including regulatory adjustments and transitional arrangements	(2 161)	699
Closing common equity tier 1 capital	**29 524**	**31 475**
Opening additional tier 1 capital	**4 584**	**1 073**
Other, including regulatory adjustments and transitional arrangements	(447)	(153)
Transfer of non-controlling interest in non-banking entities from common equity tier 1	(719)	–
Closing additional tier 1 capital	**3 418**	**920**
Closing tier 1 capital	**32 942**	**32 395**
Opening tier 2 capital	**9 213**	**10 319**
New tier 2 capital issues	1 985	1 360
Redeemed capital	(1 283)	(1 283)
Collective impairment allowances	60	60
Other, including regulatory adjustments and transitional arrangements	278	270
Closing tier 2 capital	**10 253**	**10 726**
Closing total regulatory capital	**43 195**	**43 121**

* *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 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**

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

At 31 March	Investec Limited*^	IBL*
2016		
Common equity tier 1 (as reported)	9.6%	10.6%
Common equity tier 1 ('fully loaded')^^	9.6%	10.6%
Tier 1 (as reported)	10.7%	11.0%
Total capital adequacy ratio (as reported)	14.0%	14.6%
Leverage ratio** – permanent capital	7.4%#	7.5%#
Leverage ratio** – current	6.9%#	7.3%#
Leverage ratio** – 'fully loaded'^^	6.3%#	7.1%#
2015		
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%#

* *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.*

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

^^ *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* 2016	IBL* 2016	Limited* 2015	IBL* 2015
1	Total consolidated assets as per published financial statements	568 779	405 629	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	(123 540)	–	(113 905)	–
4	Derivative financial instruments	(3 690)	(2 973)	(2 761)	(1 989)
5	Securities financing transactions (i.e. repos and similar secured lending)	389	389	(3 420)	(2 756)
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	37 594	38 519	24 253	24 960
7	Other adjustments	(1 510)	(693)	(931)	(190)
8	**Leverage ratio exposure**	**478 022**	**440 871**	376 869	352 731

LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Line #	At 31 March R'million	Limited* 2016	IBL* 2016	Limited* 2015	IBL* 2015
	Leverage ratio framework				
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	390 488	350 873	333 817	307 433
2	Asset amounts deducted in determining Basel III tier 1 capital	(1 510)	(693)	(931)	(190)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**388 978**	**350 180**	332 886	307 243
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	9 075	9 673	7 574	8 081
5	Add-on amounts for PFE associated with all derivatives transactions	3 073	3 197	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)**	**12 148**	**12 870**	12 416	13 189
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	34 936	34 936	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	4 366	4 366	666	667
15	Agent transaction exposures	–	–	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**39 302**	**39 302**	7 314	7 339
17	Off-balance sheet exposure at gross notional amount	88 745	90 589	79 412	80 821
18	Adjustments for conversion to credit equivalent amounts	(51 151)	(52 070)	(55 159)	(55 861)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**37 594**	**38 519**	24 253	24 960
20	Tier 1 capital	32 942	32 395	30 415	29 388
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**478 022**	**440 871**	376 869	352 731
22	**Basel III leverage ratio**	**6.9%**	**7.3%**	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 and the relevant risk weightings:

	31 March 2016		31 March 2015	
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	50 117	50 117	38 800	38 800
2	–	–	–	–
3	626	555	–	–
4	146	146	113	113
5	302	302	164	164
6	–	–	–	–
Institutions original effective maturity of more than three months				
1	2 111	2 111	390	390
2	9 890	9 194	9 131	7 761
3	6 369	5 271	8 283	7 195
4	222	222	–	–
5	766	766	61	61
6	3 098	3 098	180	180
Short-term claims on institutions				
1	27	27	3 524	3 524
2	129	129	11 398	11 398
3	13 638	13 581	12 719	12 451
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Corporates				
1	882	882	727	727
2	1 620	915	2 454	1 363
3	18 254	9 927	7 991	5 596
4	146	146	1 624	1 245
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	–	–	322	322
2	126	126	1 465	1 465
3	3 494	3 494	1 018	915
4	65	65	214	214
5	188	188	909	909
Total rated counterparty exposure	**112 216**	**101 262**	**101 487**	**94 793**

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 are as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
FITCH		
Long-term ratings		
Foreign currency	BBB-	BBB-
National		AA-(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		
Short-term rating		A1+(za)
Long-term rating		AA-(za)

Internal Audit

Internal Audit's 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 business unit 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 functions 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.

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

CONDUCT RISK AND CONSUMER PROTECTION

The draft Financial Sector Regulation Bill (Twin Peaks) was tabled in Parliament in the third quarter of 2015, and is currently in the Parliamentary process. The Bill is expected to be promulgated towards the latter part of 2016, and will result in affected business areas being regulated by the Prudential Authority and the Financial Sector Conduct Authority.

The Financial Advisory and Intermediary Services Act (FAIS) continues to be enforced, with added emphasis on Treating Customers Fairly. This includes the Retail Distribution Review and proposed amendments to FAIS Fit and Proper requirements and Compliance reporting. A customer and market conduct committee (CMCC) has been established for Investec Limited, as part of the conduct risk framework, with the objective to ensure that Investec Limited maintains a client-focused and fair outcomes-based culture. The CMCC is chaired by the group CEO. Conduct risk forums are being implemented across affected legal entities to ensure that identified gaps are addressed and business readiness for implementation of new regulatory requirements. The work in this regard is ongoing and will remain a focus area.

The South African Reserve Bank conducted an industry-wide review of Foreign Exchange Trading Operations in 2015. The review focused predominantly on market conduct and related governance and controls in respect of Foreign Exchange Traders' communications during 2012. There were no material findings. Investec Corporate and Institutional Banking (ICIB) implemented a Financial Markets Code of Conduct and comprehensive monitoring of traders' communications.

Amendments to the National Credit Act has increased the obligations of credit providers in respect of affordability assessments, and has extended the powers of the National Credit Regulator in respect of enforcement and rule-making powers.

A commencement date for the Protection of Personal Information Act has not been announced. The Chief Director for Legislative Development at the Department of Justice and Constitutional Development confirmed that there will be no further developments until the Information Regulator has been established. Work continues internally 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. This legislation will change the Anti-money Laundering and Combatting of Financing of Terrorism (AML CFT) regulatory framework from a rules-based to a risk-based approach, allowing accountable institutions to determine their own risk appetite in relation to client identification and verification. All accountable institutions are further affected by the Financial Intelligence Centre's intended move to a new automated solution (GoAML) for reporting, which is scheduled to go live in April 2016.

Investec continually aims to strengthen its control environment in order to meet its regulatory obligations.

TAX REPORTING

South Africa and Mauritius have intergovernmental agreements in place with the USA and each have enacted local law/regulation to implement FATCA locally. This allows South Africa and Mauritius to be treated as participating countries. This means that financial institutions in these countries report information annually on US clients (or non-compliant clients) to the South African Revenue Services and the local Mauritian authority respectively. These authorities in turn exchange information with the USA which reciprocates with similar information (on South African and Mauritian tax residents respectively who hold financial accounts in the US).

With South Africa being an 'early adopter' of the OECD's Common Reporting Standard (CRS), (the global version of FATCA), these requirements became effective in South Africa on 1 March 2016. South Africa has also opted for the 'wider approach' which means all South African reporting financial institutions are required to collect tax-related information on all clients, rather than only in respect of the 55 countries which have currently opted into CRS. As for FATCA, the information is reported to SARS annually. SARS then exchanges this information with relevant countries in return for reciprocal information on South Africans with financial accounts in those countries.

Mauritius has indicated that it will opt into CRS from 2017.

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

Chairman's introduction

Dear Shareholder

I am pleased to present the 2016 annual corporate governance report which describes our approach to corporate governance.

Before looking in detail at our governance framework, I would like to make some comments on how the board has delivered against its priorities for the year, the board's composition and how the performance of the board has been evaluated, and about stakeholder engagement that has taken place during the year. In addition, I would like to specifically comment on changes that have taken place to ensure that we have in place the executive leadership essential for the long-term success of our business, and to look forward to our key areas of focus for 2016 and beyond. However, before that, I would like to provide some important context regarding our culture, values and philosophies, which are and will continue to be at the core of everything we do.

OUR CULTURE, VALUES AND PHILOSOPHIES

Sound corporate governance depends upon much more than processes and procedures, it fundamentally depends upon the people and the culture within an organisation. At Investec, sound corporate governance is embedded in our values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength in order to promote and maintain trust. The board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance. Each business area and every employee of the group is responsible for acting in accordance with our values and philosophies and we conduct our business and measure behaviour and practices against them so as to ensure that we demonstrate the characteristics of good governance.

THE PAST YEAR IN FOCUS

Composition of the board

In 2014, the board, on the recommendation of the nominations and directors' affairs committee (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. A key challenge for the NOMDAC has been to implement this programme in such a manner so as to bring in new and diverse perspectives, while retaining the level of knowledge and experience necessary for the continued success of the group. The retirement and appointments in 2014 and 2015 of non-executive directors have enabled this, bringing a fresh outlook to the board and greater diversity of skills, backgrounds and thought. The retention of some of our longer serving non-executive directors has enabled continuity and stability, and I am grateful for their commitment to Investec. The NOMDAC continues to keep the composition of the board under review and will propose changes, as necessary, in order to retain the optimum attributes.

This year has seen some further change to the board

- In accordance with the structured refreshment programme agreed by the board, Haruko Fukuda did not seek re-election as a director at the 2015 annual general meeting, and accordingly stepped down from the board at the conclusion of the 2015 annual general meeting
- Bradley Fried, who was appointed as a non-executive director on 1 April 2010, stepped down from the board with effect from 1 April 2016.

Board and directors' effectiveness review

The board is committed to regularly evaluating its own effectiveness and that of its committees. In this light, the board undertakes an evaluation of its performance and that of its committees and individual directors annually, with independent external input to the process every third year. The board agreed that the 2016 review of the board's effectiveness would be facilitated by Professor Rob Goffee of the London Business School, an independent third party service provider. The findings of the 2016 review were presented to the board, an action plan developed and updates on progress made against these actions will be provided to the board on a regular basis.

Further details are on pages 119 to 121 in volume one of Investec's 2016 integrated annual report.

Management succession

Succession planning has remained a key area of focus during the year. Investec announced at the time we presented the group's interim results in November 2015 that, in pursuit of sustained growth across its businesses, the group restructured certain operating responsibilities with the aim of achieving the following broad objectives:

- To maintain differentiated businesses that are integrated and coordinated under the Investec brand, while focused on providing the best solution for the client
- To facilitate the growth of businesses with direct management responsibility and accountability
- To ensure talented future leaders are in place for the long-term success of the group.

Changes included the appointment of Ciaran Whelan and David van der Walt as joint global heads of the Specialist Bank, and the appointment of Richard Wainwright as chief executive officer of Investec Bank Limited in South Africa. Investec has always maintained a policy of growing talent from within, and the majority of the group's leaders have an extensive history with the group and are valued for their institutional knowledge and expertise. The changes implemented have positioned Investec for sustained growth with an enhanced operational focus. Stephen Koseff remains group chief executive officer and Bernard Kantor group managing director. They continue to focus on group strategy, development and growth of the Investec global businesses, and the positioning of the group among all stakeholders.

Shareholder engagement

During the course of 2015, the board embarked on a series of shareholder consultations. The primary focus of the consultation was the revised executive incentive arrangements put to shareholders at the 2015 annual general meeting.

The consultations also provided an opportunity to discuss governance more broadly with shareholders. From a governance perspective, the dialogue centred on the composition of the board while on remuneration, the discussion related to the appropriate linkage between pay and performance.

PRIORITIES FOR THE NEW YEAR

In broad terms, our priorities for 2016, from a corporate governance perspective, are as follows:

Strategy

The successful implementation and execution of the group's strategic intentions have provided a solid foundation on which to build and deliver returns going forward.

Board effectiveness

As we noted above, it is important to periodically obtain an independent perspective as to whether the board is functioning effectively. Having reviewed the assessment, the directors were satisfied that the board was operating effectively. There are areas where we can improve and we will continue to refine and improve our processes to do so.

Management succession

As noted above, the restructure of certain operating responsibilities was announced on 18 November 2015. Embedding the restructure will be a key area of focus for the group going forward.

Regulatory and governance

The regulatory and governance environment that the group operates within continues to evolve rapidly.

The Institute of Directors of South Africa and the King Committee have recently released a draft fourth version of the King Report on corporate governance for public comment.

Culture and values

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. Safeguarding our culture to ensure good conduct and ethical practice will promote the delivery of our long-term success and will remain a key focus of the board.

CONCLUSION

The following pages of this report describe in more detail the governance framework, and the structures that are in place to ensure that Investec is able to maintain the highest standards of corporate governance.

Fani Titi
Chairman

14 June 2016

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 2016 integrated annual report.

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 corporate governance disclosures that follow focus on those applicable to our South African business.

The board, management and employees of Investec are committed to complying with the JSE Limited (JSE) Listings Requirements 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.

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.

Leadership

Chairman and chief executive officer

The roles of the chairman and chief executive officer are distinct and separate.

The chairman is responsible for setting the board agenda, ensuring that there is sufficient time available for discussion of all items, that information received is accurate, timely and clear to enable the directors to perform their duties effectively. In keeping with Investec's culture and values, the chairman encourages open and honest debate between all board directors.

The board does not consider that the chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the chairman makes sufficient time available to serve Investec effectively. There have been no changes to the significant commitments of the chairman during the period under review. The chairman resides in South Africa.

The board has not appointed a deputy chairman.

Senior independent director

Perry Crosthwaite is the senior independent director. He is available to address any concerns or questions from shareholders and non-executive directors. In addition, he leads the board in the assessment of the effectiveness of the chairman.

Board of directors

Biographical details of the directors are set out on pages 108 and 109, with more information in Investec's 2016 integrated annual report.

The board is responsible for creating and delivering sustainable shareholder value by providing overall strategic direction within a framework of risk appetite and controls.

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, roles and responsibilities refer to Investec's 2016 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 2016 integrated annual report for disclosures on:

- Board changes during the past year
- Board meetings
- Independence of board members and the chairmen
- Terms of appointment
- Independent advice
- Skills, knowledge, experience and attributes of directors
- Board and directors' performance evaluation
- Ongoing training and development
- External directorships
- Dealings in securities
- 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 plc	Investec Limited	Independent
EXECUTIVE DIRECTORS			
S Koseff (group chief executive officer)	26 Jun 2002	6 Oct 1986	–
B Kantor (group managing director)	26 Jun 2002	8 Jun 1987	–
GR Burger (group risk and finance director)	3 Jul 2002	3 Jul 2002	–
HJ du Toit	15 Dec 2010	15 Dec 2010	–
NON-EXECUTIVE DIRECTORS			
F Titi (chairman)	30 Jan 2004	30 Jan 2004	On appointment
ZBM Bassa	1 Nov 2014	1 Nov 2014	Yes
LC Bowden	1 Jan 2015	1 Jan 2015	Yes
CA Carolus	18 Mar 2005	18 Mar 2005	Yes
PKO Crosthwaite (senior independent director)	18 Jun 2010	18 Jun 2010	Yes
D Friedland	1 Mar 2013	1 Mar 2013	Yes
CR Jacobs	8 Aug 2014	8 Aug 2014	Yes
IR Kantor	26 Jun 2002	30 Jul 1980	No
Lord Malloch-Brown KCMG	8 Aug 2014	8 Aug 2014	Yes
KL Shuenyane	8 Aug 2014	8 Aug 2014	Yes
PRS Thomas	26 Jun 2002	29 Jun 1981	Yes

INDEPENDENCE

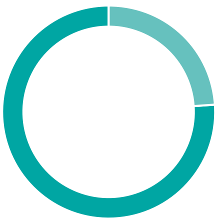
Chairman	1
Executives	4
Non-executives	10

64%

OF BOARD INDEPENDENT

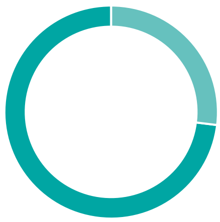
BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS:

Pre-2015 AGM



24.0% Executive
76.0% Non-executive

Post-2015 AGM



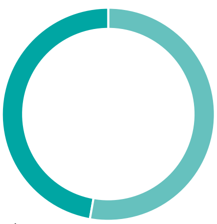
27.0% Executive
73.0% Non-executive

DIVERSITY

Aspirational target:

Per the Davies Report: 25% female representation by 2015

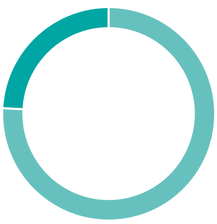
GEOGRAPHICAL MIX



53.0% South Africa
47.0% UK including Europe

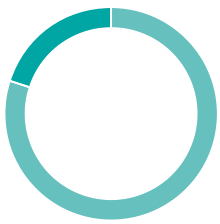
BOARD GENDER BALANCE:

Pre-2015 AGM



76.0% Male
24.0% Female

Post-2015 AGM



80.0% Male
20.0% Female

TENURE

Average length of service:

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

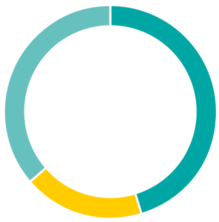
UK CORPORATE GOVERNANCE RECOMMENDATION:

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

Pre-2015 AGM: 5 years average

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

Post-2015 AGM: 5 years average



5	0 – 3 years
2	3 – 6 years
–	6 – 9 years
4	9 years plus

COMPANY SECRETARY

Niki van Wyk is the company secretary of Investec Limited. The company secretary is professionally qualified and has experience gained over a number of years. Her services are evaluated by board members during the annual board evaluation process. She is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretary whose appointment and removal are a board matter.

In compliance with the JSE Listings Requirements, the board has considered and is satisfied that the company secretary is competent, has the relevant qualifications and experience and maintains an arm's length relationship with the board. In evaluating these qualities, the board has considered the prescribed role and duties pursuant to the requirements codified in the South African Companies Act and the listings and governance requirements.

In addition, the board confirms that for the period 1 April 2015 to 31 March 2016 the company secretary didn't serve as a director on the board nor did she take part in board deliberations and only advised on matters of governance, form or procedure.

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 2016 integrated annual report.

For ease of reference, the report by the chairman of the Investec Limited audit committee is included on pages 102 to 106.

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.

Accountability

FINANCIAL REPORTING AND GOING CONCERN

The directors have confirmed that they are satisfied that the group, as well as Investec plc and Investec Limited individually, have 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 80 to 85 in volume two of Investec's 2016 integrated annual report.

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 plc and Investec Limited combined consolidated 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.

VIABILITY STATEMENT

In addition to providing a going concern statement, the board is required, in terms of the UK Corporate Governance Code, to make a statement with respect to the group's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces. Following confirmation by the BRCC (comprising a majority of non-executive directors, which includes members of the audit committees) the audit committees recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing the group and these are highlighted on pages 40 to 48 in volume one of Investec's 2016 integrated annual report.

Through its various sub-committees, notably the audit committees, the group risk and capital committee (GRCC), the BRCC and the capital committees, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity and solvency of the group. The activities of these board sub-committees and the issues considered by them are described in this governance section of this report.

Taking these risks into account, together with the group's strategic objectives and the prevailing market environment, the board approved the overall risk appetite for the Investec group. The group's risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the group's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite framework. A review of the group's performance/measurement against its risk appetite framework is provided at each BRCC meeting and at the main board meetings.

In terms of the South African Reserve Bank (SARB) requirements, the group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the group is required to stress its capital and liquidity positions under a number of severe stress conditions.

Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Scenario modelling and rigorous daily liquidity stress tests are performed to measure and manage the group's respective banking entities' liquidity positions such that payment obligations can be met under a wide range of company-specific and market-driven stress scenarios. The objective is to have sufficient liquidity, in an acute stress scenario, to continue to operate for a minimum period as detailed in the board-approved risk appetite and as required by the regulators. The group's risk appetite also requires each banking entity to maintain a minimum cash to customer deposit ratio of 25%, and ensure that the respective banking entities are not reliant on wholesale funding to fund core asset growth. Each banking entity is required to be fully self-funded. Our banking businesses in South Africa exceed the regulatory requirements for the net stable funding ratio and liquidity coverage ratio. Investec Limited currently has R125 billion in cash and near cash assets, representing 44.6% of customer deposits.

The group develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of the group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that the group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The group targets a minimum capital adequacy ratio of 14% to 17%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is performed in designing Investec's specific stress scenarios. The group also incorporates the SARB 'anchor stresses' into its capital and liquidity processes. As the group's banking entities are regulated separately and ring-fenced from one another, different stress scenarios apply across the respective banking entities and jurisdictions.

The group's current down case stress scenario in Investec Limited takes into account a number of factors, which are briefly highlighted below:

- A substantial global and domestic recession (with GDP growth in South Africa falling to negative territory)
- A further commodity slump
- Domestic and global rapid, sharp interest rate hikes
- Substantial Rand weakness (where the Rand falls below 20 to the US Dollar and then to over 25 to the US Dollar)
- The unemployment rate moves to over 30%
- South Africa's sovereign credit rating is dropped to speculative grade
- Persistent schedule three electricity load shedding ensues.

In addition, during the year, the group incorporated a number of new stress scenarios into its liquidity and capital plans, for example, the events that unfolded in South Africa in December 2015 and a sovereign rating downgrade of South Africa to below investment grade. We also carry out 'reverse stress tests', i.e. those scenarios that would cause the group to breach its capital and liquidity requirements. These scenarios are considered highly unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery and resolution plan for both Investec Limited and Investec plc. The purpose of the recovery plans are to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties in its separately regulated companies.

The capital and liquidity plans, stress scenarios, recovery and resolution plans and the risk appetite statement are reviewed at least annually. In addition, senior management hosts an annual three-day risk appetite process at which the group's risk appetite framework is reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets, together with a consolidated group budget, is presented to the board during its strategic review process early in the year.

In assessing the group's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that Investec will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. The board has assessed the group's viability in its 'base case' and 'down case' scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of the group's viability over the next three years to 31 March 2019 under these various scenarios.

In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the 'down case' scenario these include, for example, dividend payments being reduced and asset growth being curtailed.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of the group's viability:

- Pages 5 to 83 in volume one of Investec's 2016 integrated annual report which shows a strategic and financial overview of the business
- Pages 40 to 48 in volume one of Investec's 2016 integrated annual report which provide detail on the principal risks the group faces
- Page 11 in volume two of Investec's 2016 integrated annual report which highlights information on the group's risk appetite framework
- Pages 6 to 8 in volume two of Investec's 2016 integrated annual report which provides an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 17, 49, 56 and 61 in volume two of Investec's 2016 integrated annual report which highlight information on the group's various stress testing processes
- Pages 60 to 62 in volume two of Investec's 2016 integrated annual report which specifically focus on the group's philosophy and approach to liquidity management
- Pages 80 to 83 in volume two of Investec's 2016 integrated annual

report which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 14 June 2016. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the group's control that could cause the group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

RISK MANAGEMENT AND INTERNAL CONTROL

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The BRCC, 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. In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the board, with the assistance of the risk management functions and committees, continuously monitors the group's system of internal control and risk management, and annually reviews 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.

The board identifies the principal risks facing the group, and carries out a robust assessment of those risks, their potential impact on the business, and how they can be mitigated.

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.

Risk management, including information on the principal risks facing the group and how they are managed is described in more detail on page 18. A statement on how the board has assessed the longer term prospects of the group, with regard to the group's current position and these risks, are set out in the group's viability statement.

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.

INTERNAL AUDIT

Each significant jurisdiction has an internal audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk-based audit approach is followed and the audit committee approves annual audit plans.

For further details on the Internal Audit, refer to page 92.

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 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 144.

COMPLIANCE

The Compliance function ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The Compliance function is managed by Group Compliance and supported by the compliance officers in the business units.

For further details on the Compliance function, refer to page 93.

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 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.

We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report regularly to the regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

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.

DIRECTORS' DEALINGS

The remuneration report in Investec's 2016 integrated annual report, contains details of Investec shares held by directors.

Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure and Transparency Rules of the UKLA and the JSE Listings Requirements.

All directors' and company secretaries dealings require the prior approval of the Compliance division and the chairman, the senior independent director or the chairman of the audit committees.

All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and the chairman.

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 organisational 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.

Audit committees

INTRODUCTION

The audit committees are 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 committees 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 as at 31 March 2016, 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 and Investec Bank plc audit committee and the Investec Limited and Investec Bank 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 Bank plc and Investec Limited and Investec Bank 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, the integrated annual report as well as the interim results
- The independence and performance of the statutory and internal auditor, and appropriateness of the statutory auditor's provision of non-audit services.

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.

In aggregate the audit committees meet 12 times per year. The chairman, chief executive officer, managing director, group risk and finance 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 and with senior management to gain a better understanding of the group's operations and the risks and challenges it faces.

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 2016:

	DLC audit committee		Investec plc and Investec Bank plc audit committee		Investec Limited and Investec Bank Limited audit committee	
Members	**Number of meetings**	**Numbers 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
ZBM Bassa	4	4	4	4	4	4
LC Bowden	4	3	4	4	4	4
KL Shuenyane	4	4	4	4	4	4
PRS Thomas	4	2	4	4	4	4

SUMMARY OF CONCLUSIONS REACHED BY THE AUDIT COMMITTEES FOR THE YEAR ENDED 31 MARCH 2016

The 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, challenged and discussed with both management and 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
- Based on liquidity levels, capital adequacy, capital plan and the 2017 budget, 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 requested that changes be made to disclosures to 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
- On the basis of the committees' membership of the BRCC, meetings with senior management, attending board and strategy meetings and the audit committee process, the committee concluded that the integrated annual report taken as a whole, is fair, reasonable and balanced and provides the information necessary for shareholders and other stakeholders to assess the group's performance, business model and strategy
- As in prior years, engaged Grant Thornton to verify all the environmental data included in the report. None of the audit firms engaged in the group's external audit were considered for the project.

A viability statement is required to be made for the first time.

Following confirmation by the BRCC (comprising a majority of non-executive directors, which includes members of the audit committees), the audit committees recommended the viability statement for board approval.

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 auditors each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditors on an ongoing basis. The external auditors are 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 commenced his five-year rotation last year.

Although Ernst & Young has been the group's auditors since listing on the London Stock Exchange in 2002, we continue to 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. In terms of the partner rotation process, Ernst & Young's designated auditor in respect of Investec Limited will change effective 2017 from Ernest van Rooyen to Farouk Mohideen.

The committees evaluated the effectiveness of the auditors through completion of a questionnaire which, inter alia, assessed the audit partners, audit team and audit approach (planning and execution), during their presentations at audit committee meetings and ad hoc meetings held with the auditors throughout the year. Senior Finance function executives also provided feedback to the committees.

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 2016 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 regularly meet with him to discuss progress with the audit plans, resourcing and setting their annual objectives. Internal Audit was subject to a 'quality assurance review' in 2014, with the next review scheduled for 2019.

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 met with management and the external auditors to discuss and challenge, inter alia, the discount rates, credit spreads and price earnings ratios 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 accounting standards
- Taxation
  We examined and challenged management's estimates of levels of taxation expected to be payable in respect of transactions currently being challenged by the Revenue Authorities, including review of correspondence by our external adviser.

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 continues to experience 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

In the latter part of 2015, we engaged an independent specialist company to conduct a simulated cyberattack against the group. While certain technical weaknesses were identified, the conclusion of the testers was that our ability to detect and respond to a targeted attack is above average, compared against our peers.

Remedial steps are being taken to address the weaknesses and our security controls are continually enhanced, in response to the evolving threat landscape. Another simulated attack is scheduled for later this year.

- **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.

The group has established an IFRS 9 steering committee comprising executive representation and key management from Risk, Finance, Analytics and IT. The committee is accountable for IFRS 9 implementation and is supported by working groups responsible for different workstreams. The committee provides updates on the status of the project to the appropriate board committees.

The group continues to evaluate the overall effect of IFRS 9, but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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.

Audit committees' structure

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

AUDIT COMMITTEES OF INVESTEC PLC AND INVESTEC BANK PLC AND INVESTEC LIMITED AND INVESTEC BANK 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 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 for public interest entities (PIE). The legislation will take effect in June 2016. Special transition arrangements apply to the provisions on mandatory firm rotation. The new legislation will require a PIE either to rotate its auditor or put the audit out to tender after a maximum 10-year period with a further 10 years allowed if a tender results in the current auditor retaining the audit. Transitional arrangements in place mean that Investec falls into the category of having current tenure of its current auditors in place for 11 to 20 years and therefore a tender process would be required to enable change in audit firms for the March 2025 year end.

Auditors of PIEs will be subject to a maximum cap on non-audit fees. The cap equals 70% of audit fees based on a three-year rolling average. In addition there is a new list of prohibited activities for PIE audits which are broadly similar types of activities to those covered in current independence requirements, but with a wider scope and fewer exceptions.

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

14 June 2016

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 2016 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 heads of the group's three distinct business activities:

- Asset Management
  - Hendrik du Toit
- Wealth & Investment
  - Steve Elliott
- Specialist Banking
  - David van der Walt
  - Ciaran Whelan

Hendrik du Toit is one of the executive directors of Investec Limited and his remuneration is disclosed in Investec's 2016 integrated annual report.

Steve Elliott is remunerated by Investec Wealth & Investment Limited (a UK domiciled company and subsidiary of Investec plc), and David van der Walt and Ciaran Whelan are employed by Investec Bank plc (a UK domiciled company and a subsidiary of Investec plc). As a result, they are not required to disclose their 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 2016 integrated annual report.

Executive directors

(details as at 30 June 2016)

STEPHEN KOSEFF (64)

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 (66)

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 (59)

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 (54)

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, Investec Asset Management Limited as well as their subsidiaries and Naspers Limited.

Non-executive directors

(details as at 30 June 2016)

FANI TITI (54)

Chairman
BSc (Hons), MA, MBA

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

Appointed to the board in January 2004.

Fani is chairman of Investec Bank Limited, 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) and MRC Media (Pty) Ltd.

ZARINA BM BASSA (52)

BAcc, DipAcc, CA(SA)

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

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, the Accounting Standards 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, Oceana Group Limited, Sun International Limited and Woolworths Holdings Limited.

LAUREL C BOWDEN (51)

National Higher Diploma Engineering, BSc, MBA

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited 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., Ebury Partners Limited, 83 North, G&T Ventures Limited, iZettle AB, Notonthehighstreet Enterprises Limited and Wonga Group Limited.

CHERYL A CAROLUS (58)

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, IQ Business (Pty) Ltd, Ponahalo Capital (Pty) Ltd, executive chairperson of Peotona Group Holdings (Pty) Ltd, director of a number of the Peotona group companies and International Crisis Group.

PERRY KO CROSTHWAITE (67)

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, Melrose Industries plc, Investec Holdings (Ireland) Limited and Investec Capital and Investments (Ireland) Limited.

DAVID FRIEDLAND (63)

BCom, CA(SA)

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited 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.

Other directorships include: Investec Bank Limited, Investec Bank plc, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les (Pty) Ltd.

CHARLES R JACOBS (49)

LLB

Board committees: DLC remuneration

Appointed to the board in August 2014.

Charles is a 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 has been a solicitor at Linklaters for over 24 years and has been a partner since 1999.

Other directorships include: Fresnillo plc (non-executive director, senior independent director and chairman of the remuneration committee).

IAN R KANTOR (69)

BSc (Eng), MBA

Appointed to the board in July 1980.

Ian is a co-founder of Investec, served as the chief executive of Investec Bank Limited until 1985 and was the former chairman of Investec Holdings Limited.

Other directorships include: IdB Holdings SA (in which Investec Limited indirectly holds an 8.3% 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 (62)

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 (45)

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 and Investec Bank plc audit, Investec Limited and Investec Bank Limited 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, Investec Employee Benefits Limited and Investec Property Fund Limited.

PETER RS THOMAS (71)

CA(SA)

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

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
- *Bradley Fried resigned as a director with effect from 1 April 2016.*
- *Haruko Fukuda OBE resigned as a director with effect from 6 August 2015.*

Details of the Investec committees can be found in Investec's 2016 integrated annual report.

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

Investec ordinary shares

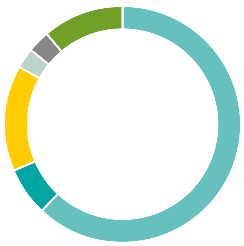
As at 31 March 2016, Investec Limited had 291.4 million ordinary shares in issue.

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MARCH 2016

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 383	1 – 500	42.1%	703 530	0.2%
1 382	501 – 1 000	17.2%	1 065 453	0.4%
1 724	1 001 – 5 000	21.5%	3 992 596	1.4%
418	5 001 – 10 000	5.2%	3 094 108	1.1%
690	10 001 – 50 000	8.6%	16 711 411	5.7%
162	50 001 – 100 000	2.0%	11 493 717	3.9%
270	100 001 and over	3.4%	254 302 891	87.3%
8 029		**100.0%**	**291 363 706**	**100.0%**

GEOGRAPHICAL HOLDING BY BENEFICIAL ORDINARY SHARE OWNER AS AT 31 MARCH 2016



Investec Limited

- 62.0% South Africa
- 6.7% UK
- 14.5% USA and Canada
- 2.9% Rest of Europe
- 2.8% Asia
- 11.1% Other countries and unknown

Largest ordinary shareholders as at 31 March 2016

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)	34 648 763	11.9%
2. Investec Staff Share Schemes (ZA)	24 168 089	8.3%
3. Old Mutual (ZA)	20 128 341	6.9%
4. Allan Gray (ZA)	13 565 085	4.7%
5. Sanlam Group (ZA)	13 180 460	4.5%
6. Dimensional Fund Advisors (UK and US)	10 185 439	3.5%
7. Coronation Fund Mgrs (ZA)	8 827 801	3.0%
8. MMI Holdings (ZA)	8 462 492	2.9%
9. BlackRock Inc (UK and US)	8 343 386	2.9%
10. Vanguard Group (UK and US)	8 174 947	2.8%
	149 684 803	**51.4%**

The top 10 shareholders account for 51.4% 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.

SHAREHOLDER CLASSIFICATION AS AT 31 MARCH 2016

	Number of Investec Limited shares	% holding
Public*	262 228 577	90.0%
Non-public	29 135 129	10.0%
Non-executive directors of Investec Limited	325	0.0%
Executive directors of Investec Limited	4 966 715	1.7%
Investec staff share schemes	24 168 089	8.3%
Total	**291 363 706**	**100.0%**

* *As per the JSE Listings Requirements.*

Share statistics

INVESTEC LIMITED

For the period ended	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Closing market price per share (Rands)							
– Year ended	109.91	100.51	84.84	64.26	47.16	52.80	62.49
– Highest	121.90	107.35	85.04	69.89	57.36	65.50	65.40
– Lowest	93.91	86.02	59.00	41.31	42.00	49.49	37.51
Number of ordinary shares in issue (million)**	291.4	285.7	282.9	279.6	276.0	272.8	269.8
Market capitalisation (R'million)**	99 886	90 388	75 652	56 857	41 232	42 768	46 299
Market capitalisation (£'million)**	4 662	5 045	4 325	4 061	3 340	3 872	3 378
Daily average volume of shares traded ('000)	963	739	810	980	1 033	794	1 068

** *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 908.8 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
919	1 – 500	17.0%	295 199	0.9%
1 297	501 – 1 000	24.0%	1 090 380	3.4%
2 374	1 001 – 5 000	44.0%	5 552 526	17.2%
393	5 001 – 10 000	7.4%	2 830 926	8.8%
350	10 001 – 50 000	6.5%	6 874 433	21.4%
22	50 001 – 100 000	0.4%	1 687 642	5.2%
38	100 001 and over	0.7%	13 883 393	43.1%
5 393		**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
975	1 – 500	87.4%	136 044	22.8%
69	501 – 1 000	6.2%	49 962	8.4%
49	1 001 – 5 000	4.4%	106 338	17.8%
11	5 001 – 10 000	1.0%	74 460	12.5%
10	10 001 – 50 000	0.9%	177 011	29.7%
1	50 001 – 100 000	0.1%	52 930	8.8%
–	100 001 and over	–	–	–
1 115		**100.0%**	**596 745**	**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
749	1 – 500	20.4%	223 248	1.4%
1 051	501 – 1 000	28.7%	910 981	5.9%
1 412	1 001 – 5 000	38.5%	3 354 204	21.7%
228	5 001 – 10 000	6.2%	1 692 785	11.0%
187	10 001 – 50 000	5.1%	3 558 715	23.0%
19	50 001 – 100 000	0.5%	1 354 996	8.8%
21	100 001 and over	0.6%	4 352 701	28.2%
3 667		**100.0%**	**15 447 630**	**100.0%**

LARGEST PERPETUAL PREFERENCE SHAREHOLDERS AS AT 31 MARCH 2016

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 Strategic Income fund	5.2%
Standard Chartered Bank – Coronation Capital Plus fund	5.4%

Investec Limited redeemable preference shares

Febros Nominees (Pty) Ltd	14.6%

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 2016.

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 UK Listing Authority (UKLA) and Johannesburg Stock Exchange (JSE) and other exchanges on which our shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Reserve Bank (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 and finance divisions, 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.

In 2014, we embarked on a robust process of engagement with internal and external stakeholders. This process went beyond our day-to-day engagement with stakeholders and involved an interview process of the Investec board of directors, executive, heads of business and employees and also external stakeholders such as industry associations, rating agencies, clients, investment analysts and NGOs. This process has allowed us to confirm the core sustainability issues for our stakeholders and ultimately guides our sustainability strategy.

Due to the nature of Investec's business the material aspects identified are considered unlikely to change in the short to medium term. As a result, Investec only repeats this comprehensive process every three to four years.

STAKEHOLDERS

Employees

- Communication policy
- Quarterly magazine (*Impact*)
- Staff updates hosted by executive management
- Group and subsidiary factsheets
- Tailored internal investor relations training
- Induction training for new employees

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
- Ad hoc procurement questionnaires requesting information on suppliers environmental, social and ethical policies

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
- Tailored rating agency booklet
- 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

SUSTAINABILITY 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 promotes 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

- 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

SUPPORTING OUR EMPLOYEES

- Strong, diverse and capable workforce
- Provide a progressive work environment
- Respect and uphold human rights.

SUPPORTING OUR COMMUNITIES

- Education
- Entrepreneurship
- Environment.

PLANET

DIRECT IMPACT

- Reduce the operational impacts of our physical business

INDIRECT IMPACT

- Embed environmental considerations into business activities
- Responsible financing and investing
- Funding renewable energy projects and green developments.

Sustainability at Investec is about:

- Building a sustainable business model to position the group for the long term so that Investec can make a valuable contribution to society and to macro-economic stability
- Attracting and developing a strong, diverse and capable workforce
- Unselfishly contributing to society and to the well-being of our communities, largely through education and entrepreneurship
- Understanding and managing our environmental footprint so we can make a positive impact through our operations and business activities
- Growing and preserving clients' and stakeholders' wealth based on 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 2016

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/ Foreign
Top management	3	–	1	16
Senior management	50	28	79	619
Professionally qualified and experienced specialist and mid-management	174	65	80	349
Skilled, academic, junior management, supervisors, foremen and superintendents	95	35	25	44
Semi-skilled and discretionary decision-making	98	18	3	14
Total	**420**	**146**	**188**	**1 042**

	Female				
	African	Coloured	Indian	White/ Foreign	Total
Top management	1	–	–	3	24
Senior management	34	25	63	395	1 293
Professionally qualified and experienced specialist and mid-management	267	121	184	546	1 786
Skilled, academic, junior management, supervisors, foremen and superintendents	105	104	44	79	531
Semi-skilled and discretionary decision-making	71	21	13	16	254
Total	**478**	**271**	**304**	**1 039**	**3 888**

* *Where: Top management is Investec's South African management forum. The remaining occupational levels are defined as per the South African Employment Equity Act.*

Annexure 2: Home loan mortgage disclosure at 31 December 2015

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	11 707	26 229 112 535
Approved	10 514	23 318 987 042
Declined	134	285 791 628
Disbursed/paid out	6 558	14 559 262 370

RACE GROUPS

	African		Coloured		Indian	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received*	1 565	2 743 365 628	435	809 204 600	995	2 172 414 634
Approved	1 331	2 278 584 943	398	679 889 197	881	1 888 145 507
Declined*	47	75 272 266	5	13 150 080	11	20 158 140
Disbursed/paid out*	866	1 367 211 605	190	326 917 649	450	899 619 161

	White		Other	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received*	6 134	14 226 256 923	2 578	6 277 870 750
Approved	5 567	12 790 998 260	2 337	5 681 369 135
Declined*	58	120 398 342	13	56 812 800
Disbursed/paid out*	3 365	7 337 815 633	1 687	4 627 698 323

**Unaudited*

PROVINCE

	Eastern Cape		Free State	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	470	836 942 869	113	175 682 138
Approved	416	741 212 185	95	147 182 701
Declined	11	15 238 700	3	3 996 400
Disbursed/paid out	281	589 556 318	70	103 007 142

	Gauteng		KwaZulu-Natal	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	6 575	14 705 516 738	1 018	2 310 176 493
Approved	5 842	12 909 426 087	900	2 045 456 610
Declined	93	214 700 716	14	23 036 823
Disbursed/paid out	3 597	7 560 378 706	640	1 537 550 916

	Limpopo		Mpumalanga	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	72	127 702 753	229	394 150 467
Approved	69	117 907 053	213	371 122 787
Declined	–	–	2	3 211 400
Disbursed/paid out	43	73 170 530	150	287 312 431

	North West		Northern Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	116	214 642 082	42	82 732 950
Approved	98	178 262 682	35	64 536 650
Declined	2	7 561 400	2	2 341 400
Disbursed/paid out	65	107 931 854	25	52 763 207

	Western Cape	
	Number of applications	Rand amount
Applications received	3 072	7 381 566 045
Approved	2 846	6 743 880 286
Declined	7	15 704 789
Disbursed/paid out	1 687	4 247 591 266

Four

Annual financial statements

Directors' responsibility statement

The annual financial statements and the group annual financial statements of Investec Limited, as set out on pages 124 to 201, 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 14 June 2016 and signed on its behalf by:

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

14 June 2016

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 2016, 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

14 June 2016

Extended business review

Investec Limited is a part of an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in 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 notes 42 and 43 to the annual financial statements.

During the year, the following shares were issued:

- 128 670 Class ILRP2 redeemable non-participating preference shares on 29 May 2015 at R1 010.35 per share (R0.01 par and premium of R1 010.34 per share)
- 2 222 356 ordinary shares on 25 June 2015 at R109.98 per share (R0.0002 par and premium of R109.9798 per share)
- 3 308 387 special convertible redeemable preference shares on 25 June 2015 of R0.0002 each at par
- 3 392 727 ordinary shares on 26 June 2015 at R108.23 per share (R0.0002 par and premium of R108.2298 per share)
- 500 835 special convertible redeemable preference shares on 14 August 2015 of R0.0002 each at par.

On 11 September 2015, a partial early redemption of 54 456 Class ILRP1 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

On 29 January 2016, a partial early redemption of 20 000 Class ILRP1 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

On 29 January 2016, a partial early redemption of 31 431 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

On 23 February 2016, a partial early redemption of 20 000 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2016.

At 31 March 2016, Investec Limited held 24 158 289 shares in treasury (2015: 21 162 694). The maximum number of shares held in treasury by Investec Limited during the period under review was 25 775 322.

Financial results

The combined results of Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2016. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

An interim dividend of 207.0 cents per ordinary share (2014: 146.0 cents) was declared to shareholders registered on 11 December 2015 and was paid on 23 December 2015.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2016 of 266 cents (2015: 216 cents) per ordinary share. The final dividend will be payable on Wednesday, 10 August 2016 to shareholders on the register at the close of business on Friday, 29 July 2016. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 4 August 2016.

Preference dividends

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

Preference dividend number 22 for the period 1 April 2015 to 30 September 2015, amounting to 364.34712 cents per share, was declared to shareholders holding preference shares registered on 4 December 2015 and was paid on 14 December 2015.

Preference dividend number 23 for the period 1 October 2015 to 31 March 2016, amounting to 384.96150 cents per share, was declared to shareholders holding preference shares registered on 10 June 2016 and will be paid on 20 June 2016.

Class ILRP1 redeemable, non-participating preference shares

Preference dividend number 8 for the period 1 April 2015 to 30 June 2015, amounting to 1 289.29579 cents per share, was declared to shareholders holding preference shares on 24 July 2015 and was paid on 27 July 2015.

Preference dividend number 9 for the period 1 July 2015 to 30 September 2015, amounting to 1 329.37002 cents per share, was declared to shareholders holding preference shares on 23 October 2015 and was paid on 26 October 2015.

Preference dividend number 10 for the period 1 October 2015 to 31 December 2015, amounting to 1 353.75897 cents per share, was declared to shareholders holding preference shares on 22 January 2016 and was paid on 25 January 2016.

Preference dividend number 11 for the period 1 January 2016 to 31 March 2016, amounting to 1 410.01817 cents per share, was declared to shareholders holding preference shares on 22 April 2016 and was paid on 25 April 2016.

Class ILRP2 redeemable, non-participating preference shares

Preference dividend number 1 for the period 25 March 2015 to 30 June 2015, amounting to 1388.47239 cents per share, was declared to shareholders holding preference shares on 24 July 2015 and was paid on 27 July 2015.

Preference dividend number 2 for the period 1 July 2015 to 30 September 2015, amounting to 1 329.37002 cents per share, was declared to shareholders holding preference shares on 23 October 2015 and was paid on 26 October 2015.

Preference dividend number 3 for the period 1 October 2015 to 31 December 2015, amounting to 1 353.75897 cents per share, was declared to shareholders holding preference shares on 22 January 2016 and was paid on 25 January 2016.

Preference dividend number 4 for the period 1 January 2016 to 31 March 2016, amounting to 1 410.01817 cents per share, was declared to shareholders holding preference shares on 22 April 2016 and was paid on 25 April 2016.

Redeemable cumulative preference shares

Dividends amounting to R21 453 331 (2015: R19 970 856) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretaries of Investec Limited are reflected on pages 108 and 109.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2016 annual general meeting.

H Fukuda, OBE did not offer herself for re-election at the annual general meeting held on 6 August 2015.

B Fried resigned from the board with effect from 1 April 2016.

The company secretary of Investec Limited is Niki van Wyk.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in Investec's 2016 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 pages 94 to 107.

Share incentives

Details regarding options granted during the year are set out on in the Investec's 2016 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 committees can be found on pages 102 to 106.

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 4 August 2016.

Contracts

Refer to Investec's 2016 integrated annual report.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 179 and 180.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 110.

Special resolutions

At the annual general meeting held on 6 August 2015, 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 and any of its subsidiaries to acquire its own Class ILRP1 redeemable, non-participating preference shares, Class ILRP2 redeemable, non-participating preference shares, any other redeemable, non-participating preference shares and non-redeemable, non-cumulative, non-participating preference 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
- The authorised share capital of Investec Limited was amended by the conversion of 1 091 681 authorised but unissued Class ILRP1 redeemable, non-participating preference shares to 1 091 681 authorised but unissued redeemable, non-participating preference shares
- Annexure A to the Memorandum of Incorporation was amended to correctly reflect the authorised share capital of Investec Limited by reducing the number of authorised Class ILRP1 redeemable, non-participating preference shares from 1 500 000 to 408 319 and increasing the number of redeemable, non-participating preference shares from 47 000 000 to 48 091 681
- Annexure B1 of the Memorandum of Incorporation was amended by the deletion of the current paragraphs 46 and 47 and the substitution thereof with new paragraphs 46 and 47.

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 131 to 139.

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 90.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 135 and 136 and in note 53.

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 2016 integrated annual report.

Political donations and expenditure

Invested Limited through its subsidiaries, made political donations totalling R1.5 million in 2016 (2015: R1.0 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 2016 integrated annual report.

Going concern

Refer to page 99, for the directors statement in relation to going concern.

Research and development

In the ordinary course of business, Investec develops new products and services in each of its business divisions.

Viability statement

Refer to pages 99 to 101, for the directors' viability statement.

Risk management policies

The group's policies for managing the financial risk to which it is exposed and exposure to price, credit, liquidity and cash flow risk are set out in the risk management section on pages 27 to 90.

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

14 June 2016

Report on the financial statements

We have audited the group and company financial statements of Investec Limited, which comprise the balance sheets of Investec Limited at 31 March 2016 and the income statements, statements of total 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 126 to 203 and the specified disclosures within the risk management and corporate governance report that are marked as audited.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these group and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of group and company financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these group and company 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 group and company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the group and company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the group and company 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 group and company 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 group and company financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Limited at 31 March 2016, 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 2016, 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.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Limited for 41 and 22 years respectively.

Ernst + Young Inc.

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

102 Rivonia Road
Sandton
Private Bag X14
Sandton 2146
Johannesburg

KPMG Inc.

KPMG Inc.
Per Peter MacDonald
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

14 June 2016

Income statements

For the year to 31 March R'million	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Interest income	2	23 977	20 099	53	101
Interest expense	2	(17 491)	(14 619)	(77)	(47)
Net interest income/(expense)		**6 486**	**5 480**	**(24)**	**54**
Fee and commission income	3	7 749	6 825	–	–
Fee and commission expense	3	(463)	(425)	(1)	(1)
Investment income	4	2 119	2 067	871	1 279
Trading income/(loss) arising from					
– customer flow		353	327	–	–
– balance sheet management and other trading activities		438	233	–	(2)
Other operating income	5	27	29	–	–
Total operating income before impairment losses on loans and advances		**16 709**	**14 536**	**846**	**1 330**
Impairment losses on loans and advances	26/27	(520)	(456)	–	–
Operating income		**16 189**	**14 080**	**846**	**1 330**
Operating costs	6	(8 751)	(7 617)	(145)	111
Operating profit before goodwill and acquired intangibles		**7 438**	**6 463**	**701**	**1 441**
Impairment of goodwill	33	(34)	(17)	–	–
Amortisation of acquired intangibles	34	(39)	–	–	–
Profit before taxation		**7 365**	**6 446**	**701**	**1 441**
Taxation on operating profit before goodwill and acquired intangibles	8	(1 456)	(1 264)	(3)	(26)
Taxation on acquired intangibles	8	11	–	–	–
Profit after taxation		**5 920**	**5 182**	**698**	**1 415**
Profit attributable to Asset Management non-controlling interests		(129)	(145)	–	–
Profit attributable to other non-controlling interests		(795)	(569)	–	–
Earnings attributable to shareholders		**4 996**	**4 468**	**698**	**1 415**

For the year to 31 March R'million	Group		Company	
	2016	**2015**	**2016**	**2015**
Profit after taxation	5 920	5 182	698	1 415
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	(708)	(614)	–	–
Gain on realisation of available-for-sale assets recycled to the income statement	(13)	(60)	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(349)	16	–	–
Foreign currency adjustments on translating foreign operations	1 116	602	–	–
Total comprehensive income	**5 966**	**5 126**	**698**	**1 415**
Total comprehensive income attributable to ordinary shareholders	4 631	4 046	408	1 164
Total comprehensive income attributable to non-controlling interests	924	714	–	–
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	411	366	290	251
Total comprehensive income	**5 966**	**5 126**	**698**	**1 415**

Balance sheets

At 31 March R'million	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Assets					
Cash and balances at central banks	17	7 801	6 261	–	–
Loans and advances to banks	18	29 483	35 867	35	34
Non-sovereign and non-bank cash placements		9 858	10 540	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	19	43 317	10 734	–	–
Sovereign debt securities	20	41 325	31 378	–	–
Bank debt securities	21	15 117	18 215	–	–
Other debt securities	22	11 753	9 037	–	–
Derivative financial instruments	23	15 839	15 177	–	–
Securities arising from trading activities	24	12 566	7 478	–	–
Investment portfolio	25	4 683	10 079	–	–
Loans and advances to customers	26	208 720	173 994	–	–
Own originated loans and advances to customers securitised	27	9 238	8 064	–	–
Other loans and advances	26	367	472	–	–
Other securitised assets	27	201	1 289	–	–
Interests in associated undertakings	28	5 145	60	–	–
Deferred taxation assets	29	572	462	–	–
Other assets	30	9 596	8 967	–	–
Property and equipment	31	729	706	–	–
Investment properties	32	18 167	9 925	–	–
Goodwill	33	238	101	–	–
Intangible assets	34	524	190	–	–
Investment in subsidiaries	36	–	–	15 605	15 854
Non-current assets classified as held for sale		–	732	–	–
		445 239	**359 728**	**15 640**	**15 888**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	37	123 540	113 905	–	–
		568 779	**473 633**	**15 640**	**15 888**
Liabilities					
Deposits by banks		40 063	30 562	–	–
Derivative financial instruments	23	13 424	12 401	–	–
Other trading liabilities	38	15 441	11 380	–	–
Repurchase agreements and cash collateral on securities lent	19	16 916	16 556	–	–
Customer accounts (deposits)		279 820	221 377	–	–
Debt securities in issue	39	12 779	9 426	916	913
Liabilities arising on securitisation of own originated loans and advances	27	1 810	1 976	–	–
Current taxation liabilities		1 084	1 747	103	118
Deferred taxation liabilities	29	457	531	–	–
Other liabilities	40	10 237	7 797	333	170
		392 031	**313 753**	**1 352**	**1 201**
Liabilities to customers under investment contracts	37	123 508	113 872	–	–
Insurance liabilities, including unit-linked liabilities	37	32	33	–	–
		515 571	**427 658**	**1 352**	**1 201**
Subordinated liabilities	41	11 357	10 449	625	–
		526 928	**438 107**	**1 977**	**1 201**
Equity					
Ordinary share capital	42	1	1	1	1
Share premium	44	10 909	10 297	10 958	10 347
Treasury shares	45	(1 249)	(971)	–	–
Other reserves		970	733	62	62
Retained income		20 996	18 751	2 092	3 727
Shareholders' equity excluding non-controlling interests		31 627	28 811	13 113	14 137
Other Additional Tier 1 securities in issue	46	550	550	550	550
Non-controlling interests	47	9 674	6 165	–	–
– Perpetual preferred securities issued by subsidiaries		1 534	1 534	–	–
– Non controlling interests in partially held subsidiaries		8 140	4 631	–	–
Total equity		**41 851**	**35 526**	**13 663**	**14 687**
Total liabilities and equity		**568 779**	**473 633**	**15 640**	**15 888**

For the year to 31 March R'million	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Profit before taxation adjusted for non-cash and non-operating Items	49	8 615	7 422	336	762
Taxation paid		(1 930)	(1 295)	(18)	(15)
(Increase)/decrease in operating assets	49	(90 269)	(39 027)	–	8
Increase in operating liabilities	49	85 802	37 651	166	156
Net cash inflow from operating activities		**2 218**	**4 751**	**484**	**911**
Cash flow on acquisition of property, equipment and intangible assets		(169)	(247)	–	–
Cash flow on disposal of property, equipment and intangible assets		14	28	–	–
Net cash outflow from investing activities		**(155)**	**(219)**	**–**	**–**
Dividends paid to ordinary shareholders		(1 589)	(1 263)	(1 678)	(1 326)
Dividends paid to other equity holders		(1 022)	(796)	(290)	(251)
Proceeds on issue of shares, net of related costs		245	252	611	253
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		(1 481)	(1 205)	–	–
Issue of shares to non-controlling interests		3 247	429	–	–
Proceeds from partial disposal of subsidiaries		–	798	–	–
Proceeds from subordinated debt raised		1 985	–	625	–
Repayment of subordinated debt		(1 283)	(250)	–	–
Net decrease/(increase) in subsidiaries and loans to group companies		–	–	249	(134)
Net cash inflow/(outflow) from financing activities		**102**	**(1 485)**	**(483)**	**(908)**
Effects of exchange rates on cash and cash equivalents		**791**	**226**	**–**	**–**
Net increase in cash and cash equivalents		**2 956**	**3 273**	**1**	**3**
Cash and cash equivalents at the beginning of the year		26 231	22 958	34	31
Cash and cash equivalents at the end of the year		**29 187**	**26 231**	**35**	**34**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		7 801	6 261	–	–
On demand loans and advances to banks		11 528	9 430	35	34
Non-sovereign and non-bank cash placements		9 858	10 540	–	–
Cash and cash equivalents at the end of the year		**29 187**	**26 231**	**35**	**34**

Cash and cash equivalents have a maturity profile of less than three months.

Statements of changes in equity

R'million	Ordinary share capital	Share premium	Treasury shares
Group			
At 1 April 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	–	–	–
Gain 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	**–**	**–**	**–**
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	–	252	–
Issue of Other Additional 1 Tier 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)**
Movement in reserves 1 April 2015 – 31 March 2016			
Profit after taxation	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–
Gain 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	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends declared to other equity holders including Other Additional Tier 1 security holders	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–
Dividends paid to non-controlling interests	–	–	–
Issue of ordinary shares	–	612	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Movement of treasury shares	–	–	(1 481)
Transfer from retained income to regulatory reserve	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	1 203
At 31 March 2016	**1**	**10 909**	**(1 249)**

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	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
–	–	–	–	–	4 996	4 996	924	–	5 920
–	–	–	(708)	–	–	(708)	–	–	(708)
–	(13)	–	–	–	–	(13)	–	–	(13)
–	(349)	–	–	–	–	(349)	–	–	(349)
–	–	–	–	1 116	–	1 116	–	–	1 116
–	(362)	–	(708)	1 116	4 996	5 042	924	–	5 966
–	–	–	–	–	592	592	–	–	592
–	–	–	–	–	(1 589)	(1 589)	–	–	(1 589)
–	–	–	–	–	(411)	(411)	119	58	(234)
–	–	–	–	–	–	–	(119)	(58)	(177)
–	–	–	–	–	–	–	(611)	–	(611)
–	–	–	–	–	–	612	–	–	612
–	–	–	–	–	51	51	3 196	–	3 247
–	–	–	–	–	–	(1 481)	–	–	(1 481)
–	–	191	–	–	(191)	–	–	–	–
–	–	–	–	–	(1 203)	–	–	–	–
61	(326)	668	(1 843)	2 410	20 996	31 627	9 674	550	41 851

Statements of changes in equity

(continued)

			Other reserves			
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 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	**–**	**–**	**–**	**1 415**	**–**	**1 415**
Issue of Other Additional Tier 1 securities in issue	–	–	–	–	550	550
Share-based payments 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**
Movement in reserves 1 April 2015 – 31 March 2016						
Profit after taxation	–	–	–	698	–	698
Total comprehensive income	**–**	**–**	**–**	**698**		**698**
Share-based payments adjustments	–	–	–	(365)	–	(365)
Dividends paid to ordinary shareholders	–	–	–	(1 678)	–	(1 678)
Dividends declared to perpetual preference shareholders including Other Additional Tier 1 security holders	–	–	–	(290)	58	(232)
Dividend paid to Additional Tier 1 security holders	–	–	–	–	(58)	(58)
Issue of ordinary shares	–	611	–	–	–	611
At 31 March 2016	**1**	**10 958**	**62**	**2 092**	**550**	**13 663**

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.

'Group' refers to group and company in the accounting policies that follow unless specifically stated otherwise.

Accounting policies applied are consistent with those of the prior year. Standards which became effective during the year did not have an impact on the group.

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 90.

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 2016 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.

The group performs a reassessment of control 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, for example 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 or losses within the group, 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.

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 these circumstances 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 in the income statement. 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 its subsidiaries mainly operate, 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 transactions arise based on rates of exchange ruling at the date of the transactions. 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 or 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 reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost 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 reclassified to the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

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 rate 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 rate 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 or losses arising from 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 levels 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 measurement. 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 initially recorded at fair value on the balance sheet with changes in fair value subsequently 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 or 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 rate 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 over 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 or 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 reclassified to other comprehensive income is reclassified to the income statement. Interest earned while holding available-for-sale financial assets is reported in the income statement 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 to 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 ONE 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, 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 risks 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 assets.

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 or 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 entered into 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 or 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 the income statement
- 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 have 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)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on balance sheet. Proceeds received are recorded as a liability on the 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 on 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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

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 finance 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 the income statement 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. Leasehold property depreciation rates are determined by reference 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 properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or 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. Intangible assets with finite lives, are amortised over the useful economic life (currently three to eight years) on a straight-line basis. 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 amount.

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 taxation payable is provided for based 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 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 taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation 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 the income statement 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 for annual periods beginning on or after 1 January 2018 with early adoption permitted. 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 or losses on assets held at fair value are recognised in the income statement unless the entity has elected to recognise gains or losses on non-trading equity investments 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 recognised directly in other comprehensive income without recycling through the income statement;
- impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition, an 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 since initial recognition, IFRS 9 requires the recognition of lifetime expected credit losses. Impairment measurement will involve increased complexity and significant judgements on areas such as the estimation of probabilities of default, loss given default, unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing whether a significant increase in credit risk has occurred.

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. The group intends to continue applying IAS 39's hedge accounting requirement until this section of IFRS 9 has been finalised.

The group has established an IFRS 9 steering committee comprising of executive representation and key management from Risk, Finance, Analytics and IT. The committee is accountable for IFRS 9 implementation and is supported by working groups responsible for different work streams. The committee provides updates on the status of the project to the appropriate board committees.

Current assessment of classification and measurement

The group expects that generally:

- loans and advances to banks and to customers and non-trading reverse repurchase agreements that are classified as loans and receivables under IAS 39 will be measured at amortised cost under IFRS 9, with the exception of current investments for which embedded derivatives are recognised separately unless a separate derivative instrument can be recognised, the entire loan would be recognised at fair value;
- financial assets designated at fair value through profit or loss (FVTPL) under IAS 39 will be measured at FVTPL under IFRS 9;

- certain debt securities held within the group's credit portfolio may be reclassified from available for sale to amortised cost. The remaining debt securities classified as available for sale will be measured at fair value through other comprehensive income (FVOCI) under IFRS 9 and debt securities classified as held to maturity will be measured at amortised cost; and
- equity instruments securities classified as available for sale or FVTPL will be measured at FVTPL under IFRS 9.

The group continues to assess the impact of these changes, but expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged on application of IFRS 9.

Current assessment of impairments
As noted, the group would also shift its impairment methodology from the current incurred loss basis to expected loss. We are in the process of developing models to determine expected credit losses for exposures subject to credit risk that are not carried at fair value through profit or loss.

We are also reviewing key definitions such as significant deterioration in credit quality and default against our current asset quality classifications. This process includes participation in industry/regulatory discussions and workshops. We will incorporate IFRS 9 requirements into our group credit risk classification and provisioning policy.

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 2018 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's current measurement and recognition principles are aligned to the standard. We do not anticipate an impact to the measurement principles currently applied. The impact of the disclosure requirements of this standard is currently being assessed.

IFRS 16 LEASES

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The group is currently assessing the impact 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 has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. The carrying amount of this provision is often dependent on the timetable and progress of discussions and negotiations with the relevant tax authorities, arbitration processes and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group
- In making any estimates, management's judgement has been based on various factors, including:
  - The current status of tax audits and enquiries
  - The current status of discussions and negotiations with the relevant tax authorities
  - The results of any previous claims
  - Any changes to the relevant tax environments
  - Where appropriate the group has utilised expert external advice as well as experience of similar situations elsewhere in making any such provisions.
- Determination of interest income and interest expense using the effective interest rate 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.

1. Consolidated segmental analysis

For the year to 31 March R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Group					
2016					
Segmental business analysis – income statement					
Net interest income	74	66	6 346	–	6 486
Net fee and commission income	2 895	1 329	3 062	–	7 286
Investment income	1	6	2 112	–	2 119
Trading income arising from					
– customer flow	–	–	353	–	353
– balance sheet management and other trading activities	–	6	432	–	438
Other operating income	35	–	(8)	–	27
Total operating income before impairment on loans and advances	**3 005**	**1 407**	**12 297**	**–**	**16 709**
Impairment losses on loans and advances	–	–	(520)	–	(520)
Operating income	**3 005**	**1 407**	**11 777**	**–**	**16 189**
Operating costs	(1 812)	(942)	(5 776)	(221)	(8 751)
Operating profit/(loss) before goodwill, acquired intangibles and non-controlling interests	**1 193**	**465**	**6 001**	**(221)**	**7 438**
Profit attributable to non-controlling interests	(129)	–	(795)	–	(924)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**1 064**	**465**	**5 206**	**(221)**	**6 514**
Cost to income ratio	60.3%	67.0%	47.0%	n/a	52.4%
Total assets (R'million)	126 114	16 742	425 923	n/a	568 779
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, acquired intangibles and non-controlling interests	**1 310**	**390**	**4 928**	**(165)**	**6 463**
Profit attributable to non-controlling interests	(145)	–	(569)	–	(714)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**1 165**	**390**	**4 359**	**(165)**	**5 749**
Cost to income ratio	56.0%	64.9%	48.5%	n/a	52.4%
Total assets (R'million)	116 298	12 439	344 896	n/a	473 633

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 2016 Balance sheet value	Group 2016 Interest income	Group 2015 Balance sheet value	Group 2015 Interest income	Company 2016 Balance sheet value	Company 2016 Interest income	Company 2015 Balance sheet value	Company 2015 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	146 901	6 065	112 995	4 916	35	2	34	2
Core loans and advances	2	217 958	17 146	182 058	14 497	–	–	–	–
Private client		144 870	11 404	120 912	9 397	–	–	–	–
Corporate, institutional and other clients		73 088	5 742	61 146	5 100	–	–	–	–
Other debt securities and other loans and advances		12 121	610	9 509	425	–	–	–	–
Other interest-earning assets	3	201	156	1 289	261	594	51	843	99
Total interest-earning assets		**377 181**	**23 977**	**305 851**	**20 099**	**629**	**53**	**877**	**101**

For the year to 31 March R'million	Notes	Group 2016 Balance sheet value	Group 2016 Interest expense	Group 2015 Balance sheet value	Group 2015 Interest expense	Company 2016 Balance sheet value	Company 2016 Interest expense	Company 2015 Balance sheet value	Company 2015 Interest expense
Deposits by banks and other debt-related securities	4	69 757	(1 781)	56 544	(926)	916	(37)	913	(25)
Customer accounts (deposits)		279 820	(14 582)	221 377	(12 626)	–	–	–	–
Other interest-bearing liabilities	5	1 810	(321)	1 976	(291)	–	(21)		(22)
Subordinated liabilities		11 357	(807)	10 449	(776)	625	(19)	–	–
Total interest-bearing liabilities		**362 744**	**(17 491)**	**290 346**	**(14 619)**	**1 541**	**(77)**	**913**	**(47)**
Net interest income/(expense)			**6 486**		**5 480**		**(24)**		**54**

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 the balance sheet) liabilities arising on securitisation of own originated loans and advances.*

For the year to 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
3. Net fee and commission income				
Asset management and wealth management businesses net fee and commission income	**4 224**	**3 964**	**–**	**–**
Fund management fees/fees for assets under management	3 689	3 588	–	–
Private client transactional fees	716	576	–	–
Fee and commission expense	(181)	(200)	–	–
Specialist Banking net fee and commission income/(expense)	**3 062**	**2 436**	**(1)**	**(1)**
Corporate and institutional transactional and advisory services	2 704	2 076	–	–
Private client transactional fees	640	585	–	–
Fee and commission expense	(282)	(225)	(1)	(1)
Net fee and commission income/(expense)	**7 286**	**6 400**	**(1)**	**(1)**
Annuity fees	5 694	4 940	(1)	(1)
Deal fees	1 592	1 460	–	–

Trust and fiduciary fees amounts to R4.2 million (2015: R4.4 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)*	Asset portfolio: Debt securities (sovereign, bank and other)	Asset portfolio: Investment properties	Asset portfolio: Other asset categories	Total
4. Investment income^					
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:					
2016					
Group					
Realised	5 251	63	186	20	5 520
Unrealised	(3 707)	51	263	(6)	(3 399)
Dividend income	267	–	–	–	267
Funding and other net related (costs)/income	(290)	–	–	21	(269)
	1 521	**114**	**449**	**35**	**2 119**
Company					
Dividend income**	–	–	–	871	871
	–	**–**	**–**	**871**	**871**

* *Including embedded derivatives (warrants and profit shares).*
** *Dividends from investment in subsidiaries.*
^ *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

For the year to 31 March R'million	Asset portfolio: Investment portfolio (listed and unlisted equities)*	Asset portfolio: Debt securities (sovereign, bank and other)	Asset portfolio: Investment properties	Asset portfolio: Other asset categories	Total
4. Investment income^ *(continued)*					
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.
^ In a year of realisation, any prior period mark-to-market gains/losses recognised are reversed in the unrealised line item.

For the year to 31 March R'million	Group 2016	Group 2015
5. Other operating income		
Unrealised gains on other investments	38	29
Operating loss from associates	(11)	–
	27	**29**

For the year to 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
6. Operating costs				
Staff costs	6 074	5 256	145	(114)
– Salaries and wages (including directors' remuneration)^	5 054	4 378	145	50
– Training and other costs	144	108	–	–
– Share-based payment expense/(income)	582	506	–	(164)
– Social security costs	63	54	–	–
– Pensions and provident fund contributions	231	210	–	–
Premises (excluding depreciation)	471	448	–	–
Equipment (excluding depreciation)	548	426	–	–
Business expenses*	1 014	908	–	3
Marketing expenses	448	401	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	196	178	–	–
	8 751	**7 617**	**145**	**(111)**
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 companies' auditors for the audit of the companies' accounts	22	13	13	6
Fees payable to the companies' auditors and its associates for other services:				
– Audit of the company's subsidiaries pursuant to legislation	27	22	–	–
	49	**35**	**13**	**6**
KPMG fees				
Fees payable to the companies' auditors for the audit of the companies' accounts	24	18	2	3
Fees payable to the companies' auditors and its associates for other services:				
– Audit of the company's subsidiaries pursuant to legislation	6	12	–	3
– Other services	3	3	1	2
	33	**33**	**3**	**8**
Total	**82**	**68**	**16**	**14**

^ *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 160 to 201 in volume one of Investec's 2016 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	 Group costs	 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.					
Share-based payments expense – income statement charge					
2016					
Equity-settled	43	72	441	26	582
2015					
Equity-settled	38	63	394	11	506

Number of share options For the year to 31 March	Group 2016	 2015
Details of options outstanding during the year		
Outstanding at the beginning of the year	41 633 973	44 475 185
Granted during the year	8 431 958	10 719 215
Exercised during the year^	(10 977 407)	(12 306 518)
Expired during the year	(1 314 979)	(1 253 909)
Outstanding at the end of the year	**37 773 545**	**41 633 973**
Vested and exercisable at the end of the year	**10 878**	**87 083**

^ *The weighted average share price for options exercised during the year and weighted average exercise price was R108.32 (2015: R96.85) and Rnil (2015: Rnil) respectively.*

For information on the share options granted to directors, refer to pages 177 to 180.

	Group	
For the year to 31 March	2016	2015
7. Share-based payments *(continued)*		
Long-term incentive grants with no strike price		
Weighted average remaining contractual life	2.04 years	2.15 years
Weighted average fair value of options and long-term grants at measurement date	R84.62	R69.52
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	R109.98 – R120.88	R90.00 – R100.57
– Exercise price	Rnil	Rnil
– Expected volatility	30%	25.24% – 30%
– Option life	4 – 5 years	1 – 5 years
– Expected dividend yields	4.02% – 4.19%	4.45% – 4.62%
– Risk-free rate	7.49% – 7.66%	6.78% – 7.18%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

For the year to 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
8. Taxation				
Southern Africa				
Current taxation in respect of current year	1 654	1 270	3	26
Deferred taxation	(243)	(36)	–	–
Total South African taxation	**1 411**	**1 234**	**3**	**26**
Foreign current taxation				
Mauritius	29	25	–	–
Botswana	5	5	–	–
Total foreign taxation	**34**	**30**	**–**	**–**
Total taxation charge as per the income statement	**1 445**	**1 264**	**3**	**26**
Taxation on operating profit before goodwill and intangible assets	1 456	1 264	3	26
Taxation on acquired intangibles	(11)	–	–	–
Tax rate reconciliation:				
Profit before taxation as per the income statement	7 365	6 446	701	1 441
Total taxation charge as per the income statement	1 445	1 264	3	26
Effective rate of taxation	**19.6%**	**19.6%**	**0.4%**	**1.8%**
The standard rate of South African normal taxation has been affected by:				
Dividend income	4.6%	4.7%	34.8%	24.8%
Qualifying distribution	4.2%	3.8%	–	–
Other Additional Tier 1 securities interest	0.2%	0.1%	2.3%	0.6%
Foreign earnings*	1.5%	2.3%	–	–
Impairment of goodwill	(0.1%)	(0.1%)	–	–
Other non-taxable/non-deductible differences	(2.0%)	(2.4%)	(9.5%)	0.8%
	28.0%	**28.0%**	**28.0%**	**28.0%**

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

	Group 2016	Group 2015
Other comprehensive income taxation effects		
Fair value movements on cash flow hedge movements taken directly to other comprehensive income	(708)	(614)
– Pre-taxation	(1 147)	(571)
– Deferred taxation effect	–	(74)
– Current taxation effect	439	31
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(349)	16
– Pre-taxation	(383)	64
– Deferred taxation effect	34	(48)
Gains on realisation of available-for-sale assets recycled through the income statement	(13)	(60)
– Pre-taxation	(18)	(83)
– Deferred taxation effect	5	23

For the year to 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
9. Headline earnings				
Earnings attributable to shareholders	4 996	4 468	698	1 415
Dividends paid to perpetual preference shareholders	(411)	(366)	(290)	(251)
Earnings attributable to ordinary shareholders	**4 585**	**4 102**	**408**	**1 164**
Headline adjustments:	(70)	(228)	–	–
Impairment of goodwill	34	17	–	–
Revaluation of investment properties^	(198)	(185)	–	–
Gain on available-for-sale assets recycled to the income statement^	(13)	(60)	–	–
Write down of non-current assets classified as held for sale^	107	–	–	–
Headline earnings attributable to ordinary shareholders	**4 515**	**3 874**	**408**	**1 164**

^ *Taxation on headline earnings adjustments amounted to R25.6 million (year to 31 March 2015: R76.9 million) with a R206.4 million (2015: Rnil) impact on earnings attributable to non-controlling interests.*

For the year to 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
10. Dividends				
Ordinary dividend				
Final dividend in prior year**	1 032	874	1 075	909
Interim dividend for current year**	557	389	603	417
Total dividend attributable to ordinary shareholders recognised in current financial year	**1 589**	**1 263**	**1 678**	**1 326**
The directors have proposed a final dividend in respect of the financial year ended 31 March 2016 of 266 cents (2015: 216 cents) per ordinary share. The final dividend will be payable on Wednesday, 10 August 2016 to shareholders on the register at the close of business on Friday, 29 July 2016. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 4 August 2016.				
Perpetual preference dividend				
Final dividend for prior year	175	164	116	108
Interim dividend for current year	178	173	116	114
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**353**	**337**	**232**	**222**
The directors have declared a final dividend in respect of the financial year ended 31 March 2016 of 384.9615 cents (2015: 358.70081) per Investec Limited perpetual preference share and 412.48350 cents (2015: 384.34536 cents) per Investec Bank Limited perpetual preference share. The final dividend will be payable on Monday, 20 June 2016 to shareholders on the register at the close of business on Friday, 10 June 2016.				
Dividends attributable to Other Additional Tier 1 securities in issue	**58**	**29**	**58**	**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 46.				
Total dividends declared to Other equity holders including Other Additional Tier 1 securities	**411**	**366**	**290**	**251**

** *This includes the dividend paid by Investec Limited on DAS share equivalent for South African resident shareholders of Investec plc.*

For the year to 31 March R'million	Group 2016	Group 2015
11. Operating lease disclosure		
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	285	327
	285	**327**
Operating lease income recognised in income:		
Minimum lease payments	958	645
	958	**645**

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 2016	Group 2015
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	1 493	868
One to five years	4 098	2 598
Greater than five years	1 552	1 138
	7 143	**4 604**

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.

ANNUAL FINANCIAL STATEMENTS

12. Analysis of income and impairments by category of financial instruments

For the year to 31 March R'million	At fair value through profit or loss Trading	 Designated at inception
Group		
2016		
Net interest income	224	786
Fee and commission income	34	3
Fee and commission expense	–	–
Investment income	12	1 643
Trading income arising from		
– customer flow	339	7
– balance sheet management and other trading activities	(13)	296
Other operating income	–	36
Total operating income before impairment losses on loans and advances	**596**	**2 771**
Impairment losses on loans and advances	–	–
Operating income	**596**	**2 771**
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**
Company		
2016		
Net interest income/(expense)	–	–
Fee and commission expense	–	–
Investment income	–	–
Total operating income before impairment losses on loans and advances	**–**	**–**
2015		
Net interest income	–	–
Fee and commission expense	–	–
Investment income	–	–
Trading income arising from		
– balance sheet management and other trading activities	–	–
Total operating income before impairment losses on loans and advances	**–**	**–**

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
613	18 317	1 644	(15 131)	33	–	6 486
–	1 113	3	25	1 314	5 257	7 749
–	(121)	(36)	(6)	(96)	(204)	(463)
–	20	1 023	10	(589)	–	2 119
–	–	–	7	–	–	353
–	139	71	(55)	–	–	438
–	–	1	–	(10)	–	27
613	**19 468**	**2 706**	**(15 150)**	**652**	**5 053**	**16 709**
–	(520)	–	–	–	–	(520)
613	**18 948**	**2 706**	**(15 150)**	**652**	**5 053**	**16 189**
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**
–	31	–	(55)	–	–	(24)
–	–	–	–	–	(1)	(1)
–	–	–	–	871	–	871
–	**31**	**–**	**(55)**	**871**	**(1)**	**846**
–	2	–	(25)	–	77	54
–	–	–	–	–	(1)	(1)
–	–	–	–	1 279	–	1 279
–	(2)	–	–	–	–	(2)
–	**31**	**–**	**(25)**	**1 279**	**76**	**1 330**

13. Analysis of financial assets and liabilities by category of financial instrument

At 31 March R'million	At fair value through profit or loss Trading	At fair value through profit or loss Designated at inception	Available-for-sale
Group			
2016			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	910	–
Non-sovereign and non-bank cash placements	3	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	27 058	–	–
Sovereign debt securities	–	28 920	8 687
Bank debt securities	–	2 263	4 990
Other debt securities	–	485	10 234
Derivative financial instruments*	15 839	–	–
Securities arising from trading activities	12 566	–	–
Investment portfolio	–	4 566	117
Loans and advances to customers	–	12 241	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	643	256	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	56 109	**49 641**	**24 028**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	56 109	**49 641**	**24 028**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	13 424	–	–
Other trading liabilities	15 441	–	–
Repurchase agreements and cash collateral on securities lent	2 509	–	–
Customer accounts (deposits)	–	12 059	–
Debt securities in issue	–	5 080	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	680	–	–
	32 054	**17 139**	**–**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	32 054	**17 139**	**–**
Subordinated liabilities	–	–	–
	32 054	**17 139**	**–**

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

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 37)	Non-financial instruments or scoped out of IAS 39	Total
–	–	7 801	–	7 801	–	–	7 801
910	–	28 573	–	28 573	–	–	29 483
3	–	9 855	–	9 855	–	–	9 858
27 058	–	16 259	–	16 259	–	–	43 317
37 607	3 718	–	–	3 718	–	–	41 325
7 253	6 272	1 592	–	7 864	–	–	15 117
10 719	263	771	–	1 034	–	–	11 753
15 839	–	–	–	–	–	–	15 839
12 566	–	–	–	–	–	–	12 566
4 683	–	–	–	–	–	–	4 683
12 241	–	196 479	–	196 479	–	–	208 720
–	–	9 238	–	9 238	–	–	9 238
–	–	367	–	367	–	–	367
–	–	201	–	201	–	–	201
–	–	–	–	–	–	5 145	5 145
–	–	–	–	–	–	572	572
899	–	5 078	–	5 078	–	3 619	9 596
–	–	–	–	–	–	729	729
–	–	–	–	–	–	18 167	18 167
–	–	–	–	–	–	238	238
–	–	–	–	–	–	524	524
129 778	**10 253**	**276 214**	**–**	**286 467**	**–**	**28 994**	**445 239**
–	–	–	–	–	123 540	–	123 540
129 778	**10 253**	**276 214**	**–**	**286 467**	**123 540**	**28 994**	**568 779**
–	–	–	40 063	40 063	–	–	40 063
13 424	–	–	–	–	–	–	13 424
15 441	–	–	–	–	–	–	15 441
2 509	–	–	14 407	14 407	–	–	16 916
12 059	–	–	267 761	267 761	–	–	279 820
5 080	–	–	7 699	7 699	–	–	12 779
–	–	–	1 810	1 810	–	–	1 810
–	–	–	–	–	–	1 084	1 084
–	–	–	–	–	–	457	457
680	–	–	4 156	4 156	–	5 401	10 237
49 193	**–**	**–**	**335 896**	**335 896**	**–**	**6 942**	**392 031**
–	–	–	–	–	123 508	–	123 508
–	–	–	–	–	32	–	32
49 193	**–**	**–**	**335 896**	**335 896**	**123 540**	**6 942**	**515 571**
–	–	–	11 357	11 357	–	–	11 357
49 193	**–**	**–**	**347 253**	**347 253**	**123 540**	**6 942**	**526 928**

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

At 31 March R'million	At fair value through profit or loss Trading	At fair value through profit or loss Designated at inception	Available-for-sale
Group			
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 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.*

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 37)	Non-financial instruments or scoped out of IAS 39	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	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments or scoped out of IAS 39	Total
Company					
2016					
Assets					
Loans and advances to banks	35	–	35	–	35
Investment in subsidiaries	593	–	593	15 012	15 605
	628	**–**	**628**	**15 012**	**15 640**
Liabilities					
Debt securities in issue	–	916	916	–	916
Current taxation liabilities	–	–	–	103	103
Other liabilities	–	12	12	321	333
	–	**928**	**928**	**424**	**1 352**
Subordinated liabilities	–	625	625	–	625
	–	**1 553**	**1 553**	**424**	**1 977**
2015					
Assets					
Loans and advances to banks	34	–	34	–	34
Investment in subsidiaries	843	–	843	15 011	15 854
	877	**–**	**877**	**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**

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.

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

		Fair value category		
At 31 March R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Group				
2016				
Assets				
Loans and advances to banks	910	910	–	–
Non-sovereign and non-bank cash placements	3	–	3	–
Reverse repurchase agreements and cash collateral on securities borrowed	27 058	2 903	24 155	–
Sovereign debt securities	37 607	37 607	–	–
Bank debt securities	7 253	4 429	2 824	–
Other debt securities	10 719	10 532	187	–
Derivative financial instruments	15 839	–	15 829	10
Securities arising from trading activities	12 566	12 566	–	–
Investment portfolio	4 683	1 527	369	2 787
Loans and advances to customers	12 241	–	12 241	–
Other assets	899	899	–	–
	129 778	**71 373**	**55 608**	**2 797**
Liabilities				
Derivative financial instruments	13 424	–	13 424	–
Other trading liabilities	15 441	14 612	829	–
Repurchase agreements and cash collateral on securities lent	2 509	–	2 509	–
Customer accounts (deposits)	12 059	–	12 059	–
Debt securities in issue	5 080	–	5 080	–
Other liabilities	680	–	680	–
	49 193	**14 612**	**34 581**	**–**
Net financial assets at fair value	**80 585**	**56 761**	**21 027**	**2 797**

14. Fair value hierarchy *(continued)*

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 financial assets at fair value	**52 770**	**35 985**	**8 427**	**8 358**

14. Fair value hierarchy *(continued)*

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT LEVEL 2

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

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

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 3 INSTRUMENTS

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

For the year to 31 March R'million	Total level 3 financial instruments
Group	
Balance as at 1 April 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**
Total gains or losses recognised in the income statement	586
Purchases	494
Sales	(6 873)
Issues	70
Settlements	(397)
Transfers into level 3	103
Transfers out of level 3	332
Foreign exchange adjustments	124
Balance as at 31 March 2016	**2 797**

For the year ended 31 March 2016, R103.3 million has been transferred into level 3 from level 2 as a result of the inputs to the valuation methods becoming unobservable in the market. R331.9 million related to instruments transferred from level 3 to level 2 as a result of inputs to the valuation method becoming observable.

For the year ended 31 March 2015, transfers were made between levels when the observability of inputs change or if the valuation methods changed.

14. Fair value hierarchy *(continued)*

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

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2016			
Total gains or (losses) included in the income statement for the year			
Investment income	564	3 445	(2 881)
Trading income arising from customer flow	22	22	–
	586	**3 467**	**(2 881)**

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2015			
Total gains or (losses) included 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**

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 2016 R'million	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Favourable changes	Unfavourable changes
Assets						
Derivative financial instruments	10				**1**	**(1)**
		Price multiple	Net asset value	(10%) – 10%	1	(1)
Investment portfolio					**417**	**(439)**
	2 787	Price earnings	Change in PE multiple	*	108	(85)
		Other	Various	**	309	(354)
Total	**2 797**				**418**	**(440)**

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

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

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)**

^ *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.*

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

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

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.

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost					
Group					
2016					
Assets					
Cash and balances at central banks	7 801	7 801	^	^	^
Loans and advances to banks	28 573	28 573	^	^	^
Non-sovereign and non-bank cash placements	9 855	9 855	^	^	^
Reverse repurchase agreements and cash collateral on securities borrowed	16 259	16 259	^	^	^
Sovereign debt securities	3 718	3 798	3 798	–	–
Bank debt securities	7 864	8 778	7 178	1 600	–
Other debt securities	1 034	1 053	69	984	–
Loans and advances to customers	196 479	196 606	2 100	174 971	19 535
Own originated loans and advances to customers securitised	9 238	9 238	^	^	^
Other loans and advances	367	367	^	^	^
Other securitised assets	201	201	^	^	^
Other assets	5 078	5 078	^	^	^
	286 467	**287 607**			
Liabilities					
Deposits by banks	40 063	40 219	811	39 408	–
Repurchase agreements and cash collateral on securities lent	14 407	14 452	–	14 452	–
Customer accounts (deposits)	267 761	268 275	137 475	130 800	–
Debt securities in issue	7 699	7 699	^	^	^
Liabilities arising on securitisation of own originated loans and advances	1 810	1 810	^	^	^
Other liabilities	4 156	4 156	^	^	^
Subordinated liabilities	11 357	12 317	12 317	–	–
	347 253	**348 928**			

^ *Financial instruments for which fair value approximates carrying value.*

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost *(continued)*					
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	30 206	–
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	^	^	^
Liabilities arising on securitisation of other assets	–	–	^	^	^
Other liabilities	2 809	2 809	^	^	^
Subordinated liabilities	10 449	10 593	10 593	–	–
	272 032	**273 652**			

^ *Financial instruments for which fair value approximates carrying value.*

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)*					
Company					
2016					
Assets					
Loans and advances to banks	35	35	^	^	^
Investment in subsidiaries	593	593	^	^	^
	628	**628**			
Liabilities					
Debt securities in issue	916	916	^	^	^
Other liabilities	12	12	^	^	^
Subordinated liabilities	625	626	626	–	–
	1 553	**1 554**			
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**			

^ *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 basis/techniques	Main inputs
ASSETS		
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Loans and advances to customers	Discounted cash flow model	Yield curve
LIABILITIES		
Deposits by banks	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve

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				
2016				
Loans and advances to customers	12 241	(183)	(32)	12 027
	12 241	**(183)**	**(32)**	**12 027**
2015				
Loans and advances to customers	12 034	112	267	11 863
	12 034	**112**	**267**	**11 863**

Year-to-date and cumulative fair value adjustments to loans and receivables attributable to credit risk were both Rnil (2015: Rnil).

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				
2016				
Customer accounts (deposits)	12 059	12 222	56	163
Debt securities in issue	5 080	5 090	(7)	(3)
	17 139	**17 312**	**49**	**160**
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**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

Year to date and cumulative changes in fair value of financial liabilities attributable to credit risk were both Rnil (2015: Rnil).

At 31 March R'million	Group 2016	Group 2015
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	7 654	6 148
Other	147	113
	7 801	**6 261**

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
18. Loans and advances to banks				
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	17 035	14 650	35	34
United Kingdom	1 533	6 207	–	–
Europe (excluding UK)	3 257	8 339	–	–
Australia	172	129	–	–
United States of America	4 769	5 301	–	–
Asia	1 839	647	–	–
Other	878	594	–	–
	29 483	**35 867**	**35**	**34**

At 31 March R'million	Group 2016	Group 2015
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	33 444	6 221
Cash collateral on securities borrowed	9 873	4 513
	43 317	**10 734**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. R13.1 billion (2015: R7.0 billion) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	16 916	16 556
	16 916	**16 556**
The assets transferred and not derecognised in the above repurchase agreements are fair valued at R16.2 billion (2015: R16.0 billion). They are pledged as security for the term of the underlying repurchase agreement.		

ANNUAL FINANCIAL STATEMENTS

At 31 March R'million	Group 2016	Group 2015
20. Sovereign debt securities		
Bonds	21 212	11 990
Government securities	626	20
Treasury bills	19 487	19 368
	41 325	**31 378**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	40 699	31 358
Other	626	20
	41 325	**31 378**

At 31 March R'million	Group 2016	Group 2015
21. Bank debt securities		
Bonds	11 388	11 162
Debentures	–	967
Floating rate notes	3 729	6 086
	15 117	**18 215**
The country risk of the bank debt securities lies in the following geographies:		
South Africa	6 589	7 483
United Kingdom	5 012	5 886
Europe (excluding UK)	–	397
United States of America	3 360	4 288
Other	156	161
	15 117	**18 215**

At 31 March R'million	Group 2016	Group 2015
22. Other debt securities		
Bonds	10 047	6 866
Commercial paper	–	121
Floating rate notes	1 095	1 880
Liquid asset bills	298	–
Asset-based securities	187	–
Other investments	126	170
	11 753	**9 037**
The country risk of the other debt securities lies in the following geographies:		
South Africa	6 695	6 523
United Kingdom	1 140	1 460
Europe (excluding UK)	2 655	177
Australia	313	256
Other	950	621
	11 753	**9 037**

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 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					
	2016			2015		
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	171 801	5 616	6 711	10 110	295	388
Currency swaps	35 137	3 524	9 973	120 532	6 948	12 934
OTC options bought and sold	52 367	403	315	10 001	206	165
Other foreign exchange contracts	–	–	–	4 212	65	87
	259 305	**9 543**	**16 999**	**144 855**	**7 514**	**13 574**
Interest rate derivatives						
Caps and floors	1 058	9	21	2 647	7	6
Swaps	238 343	2 171	3 737	332 442	3 178	4 484
Forward rate agreements	9 931	74	73	311 225	167	159
OTC options bought and sold	100	19	15	1 600	27	27
Other interest rate contracts	130	115	30	500	175	92
	249 562	**2 388**	**3 876**	**648 414**	**3 554**	**4 768**
Equity and stock index derivatives						
OTC options bought and sold	44 464	4 666	703	30 039	4 253	887
Equity swaps and forwards	31 723	399	721	15 599	89	255
OTC derivatives	76 187	5 065	1 424	45 638	4 342	1 142
Exchange traded futures	1 473	1	–	584	1	–
Exchange traded options	7 006	3	–	5 328	5	–
Warrants	4 210	–	4 151	1 799	–	2 511
	88 876	**5 069**	**5 575**	**53 349**	**4 348**	**3 653**
Commodity derivatives						
OTC options bought and sold	4	^	^	1 717	^	^
Commodity swaps and forwards	997	101	132	3	174	190
OTC derivatives	**1 001**	**101**	**132**	**1 720**	**174**	**190**
Credit derivatives	**8 472**	**39**	**211**	**5 608**	**2**	**36**
Embedded derivatives*		237	–		299	–
Cash collateral		(1 538)	(13 369)		(714)	(9 820)
Derivatives per balance sheet		**15 839**	**13 424**		**15 177**	**12 401**

* *Mainly includes profit shares received as part of lending transactions.*

^ *Less than R1 million.*

At 31 March R'million	Group 2016	Group 2015
24. Securities arising from trading activities		
Bonds	688	1 006
Floating rate notes	–	40
Listed equities	11 878	6 432
	12 566	**7 478**

At 31 March R'million	Group 2016	Group 2015
25. Investment portfolio		
Listed equities	1 793	1 425
Unlisted equities*	2 890	8 654
	4 683	**10 079**

* *Unlisted equities include loan instruments that are convertible into equity. Refer to note 28 for unlisted equities now shown as interests in associated undertakings.*

At 31 March R'million	Group 2016	Group 2015
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	209 630	175 133
Impairments of loans and advances to customers	(910)	(1 139)
Net loans and advances to customers	**208 720**	**173 994**
Gross other loans and advances	398	490
Impairments of other loans and advances	(31)	(18)
Net other loans and advances to customers	**367**	**472**

For further analysis on loans and advances refer to pages 47 to 55 in volume two in the risk management section.

At 31 March R'million	Group 2016	Group 2015
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	969	1 075
Charge to the income statement	832	647
Reversals and recoveries recognised in the income statement	(378)	(149)
Utilised	(743)	(605)
Exchange adjustment	–	1
Balance at the end of the year	**680**	**969**
Portfolio impairment		
Balance at the beginning of the year	170	172
Charge/(release) to the income statement	67	(16)
Transfers	(19)	–
Exchange adjustment	12	14
Balance at the end of the year	**230**	**170**
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	16	43
Release to the income statement	(6)	(27)
Balance at the end of the year	**10**	**16**
Portfolio impairment		
Balance at the beginning of the year	2	2
Transfers	19	–
Balance at the end of the year	**21**	**2**
Total specific impairments	690	985
Total portfolio impairments	251	172
Total impairments	**941**	**1 157**
Reconciliation of income statement charge:		
Loans and advances to customers	**521**	**482**
Specific impairment charge to income statement	454	498
Portfolio impairment charge/(release) to income statement	67	(16)
Securitised assets (refer to note 27)	**5**	**1**
Specific impairment charge to income statement	2	1
Portfolio impairment charge to income statement	3	–
Other loans and advances	**(6)**	**(27)**
Specific impairment release to income statement	(6)	(27)
Total income statement charge	**520**	**456**

At 31 March R'million	Group 2016	Group 2015
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	9 244	8 069
Impairments of own originated loans and advances to customers securitised	(6)	(5)
Net own originated loans and advances to customers securitised	**9 238**	**8 064**
Other securitised assets are made up of the following category of asset:		
– Cash and cash equivalents	201	1 289
Total other securitised assets	**201**	**1 289**
The associated liabilities are recorded on balance sheet in the following line item:		
Liabilities arising on securitisation of own originated loans and advances	1 810	1 976
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments of own originated loans and advances to customers securitised		
Specific impairment		
Balance at the beginning of the year	3	2
Charge to the income statement	2	1
Utilised	(4)	–
Balance at the end of the year	**1**	**3**
Portfolio impairment		
Balance at the beginning of the year	2	2
Charge to the income statement	3	–
Balance at the end of the year	**5**	**2**
Total portfolio and specific impairments on balance sheet	**6**	**5**

At 31 March R'million	Group 2016	Group 2015
28. Interests in associated undertakings		
Associated undertakings comprise unlisted investments.		
Analysis of the movement in our share of net assets:		
Balance at the beginning of the year	60	52
Exchange adjustments	6	8
Acquisitions*	5 090	–
Operating loss from associates (included in other operating income)	(11)	–
Balance at the end of the year	**5 145**	**60**

* ***Investec Equity Partners***
The group sold R7.6 billion of its unlisted equity portfolio to an investment vehicle, Investec Equity Partners (Pty) Ltd (IEP) on 11 January 2016 for R2.5 billion in cash and a 45% stake in IEP to the value of R5.1 billion. Investec Bank holds 45% of the voting rights and representation on the board of IEP does not constitute control over the entity. As a result IEP has been accounted for as an equity-accounted associate.

At the reporting date, summarised financial information of IEP is not available and the purchase price allocation is provisional.

At 31 March R'million	Group 2016	Group 2015
29. Deferred taxation		
Deferred taxation assets	572	462
Deferred taxation liabilities	(457)	(531)
Net deferred taxation assets/(liabilities)	**115**	**(69)**
The net deferred taxation assets arise from:		
Income and expenditure accruals	254	903
Unrealised fair value adjustments on financial instruments	171	(784)
Losses carried forward	114	67
Deferred tax on acquired intangibles	(104)	–
Revaluation of property	(391)	(257)
Fair value movements on cash flow hedges	–	(74)
Finance lease accounting	56	61
Other temporary differences	15	15
Net deferred taxation assets/(liabilities)	**115**	**(69)**
Reconciliation of net deferred taxation assets/(liabilities)		
At the beginning of the year	(69)	(6)
Charge to income statement	243	36
Charge/(recovery) directly in other comprehensive income	39	(99)
Acquisitions	(115)	–
Other	17	–
At the end of the year	**115**	**(69)**

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 2016	Group 2015
30. Other assets		
Settlement debtors	1 790	3 293
Trading properties	2 322	1 623
Prepayments and accruals	504	517
Trading initial margin	643	503
Investec Import Solutions debtors	1 456	–
Fee debtors	33	364
Other	2 848	2 667
	9 596	**8 967**

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
31. Property and equipment					
Group					
2016					
Cost					
At the beginning of the year	504	34	192	788	1 518
Acquisition of a subsidiary undertaking	–	–	1	24	25
Additions	–	2	8	126	136
Disposals	–	–	(4)	(103)	(107)
At the end of the year	**504**	**36**	**197**	**835**	**1 572**
Accumulated depreciation					
At the beginning of the year	(37)	(22)	(126)	(627)	(812)
Disposals	–	–	3	90	93
Depreciation	(10)	(3)	(10)	(101)	(124)
At the end of the year	**(47)**	**(25)**	**(133)**	**(638)**	**(843)**
Net carrying value	**457**	**11**	**64**	**197**	**729**
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	(10)	(1)	(9)	(102)	(122)
At the end of the year	**(37)**	**(22)**	**(126)**	**(627)**	**(812)**
Net carrying value	**467**	**12**	**66**	**161**	**706**

At 31 March R'million	Group 2016	 2015
32. Investment properties		
At the beginning of the year	9 925	7 857
Additions	8 142	1 953
Disposals	(163)	(62)
Fair value movement	263	181
Exchange adjustment	–	(4)
At the end of the year	**18 167**	**9 925**

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 interrelationships 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 2016	 2015
33. Goodwill		
Cost		
At the beginning of the year	1 283	1 283
Acquisitions	171	–
	1 454	**1 283**
Accumulated impairments		
At the beginning of the year	(1 182)	(1 165)
Impairment of goodwill	(34)	(17)
At the end of the year	**(1 216)**	**(1 182)**
Net carrying value	**238**	**101**
Analysis of goodwill by line of business:		
Asset Management	26	60
Wealth & Investment	37	37
Specialist Banking	175	4
	238	**101**

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 and loan impairment rates.

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

Movement in goodwill relates to the acquisition of the Investec Import Solutions group, previously Blue Strata group, in the current year and Investec Asset Management in prior years. At year end, the goodwill related to Investec Import Solutions group has not been impaired. Goodwill from Investec Asset Management relates particularly to the businesses from the Fedsure acquisition, which has 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 valuation is based on management's assessment of appropriate profit forecast and a discount rate to estimate the fair value less cost to sell the business. The discount rate applied of 12.36% 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	Client relationships	Total
Group				
2016				
Cost				
At the beginning of the year	576	102	–	678
Acquisition of a subsidiary undertaking	–	–	412	412
Additions	25	8	–	33
At the end of the year	**601**	**110**	**412**	**1 123**
Accumulated amortisation and impairments				
At the beginning of the year	(401)	(87)	–	(488)
Amortisation	(67)	(5)	(39)	(111)
At the end of the year	**(468)**	**(92)**	**(39)**	**(599)**
Net carrying value	**133**	**18**	**373**	**524**
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**

35. Acquisitions

2016

On 1 July 2015, Investec Bank Limited concluded transaction agreements with the management and shareholders of the Investec Import Solutions group, previously Blue Strata group, for the acquisition of the remaining 51.5% of the Blue Strata group, not already owned by it. Investec and Blue Strata have had a fruitful partnership over the past 13 years since Blue Strata's founding in 2002.

As import regulations and complexities increase, Investec Import Solutions offers a compelling value proposition to clients by simplifying the import process, and Investec foresees exciting benefits unfolding in offering Investec Import Solutions services to more of Investec's existing client base. The group believes that the full integration of the business offers the opportunity to unlock substantial benefits and will allow Investec Import Solutions to accelerate its growth.

The assets and liabilities at the date of acquisition, goodwill arising and total consideration paid are shown below:

R'million	Fair value of assets and liabilities
Loans and advances to banks	70
Investment portfolio	43
Deferred taxation assets	6
Other assets	1 437
Property and equipment	25
Intangible assets	412
Assets	**1 993**
Deferred taxation liabilities	121
Other liabilities	256
Liabilities	**377**
Net fair value of assets acquired	**1 616**
Fair value of existing 48.5% equity interest held in Investec Import Solutions	370
Issue of Investec Limited Shares	367
Loan eliminated on consolidation	1 050
Fair value of consideration	**1 787**
Goodwill	**171**

For the post acquisition period 1 July 2015 to 31 March 2016, the operating income of Investec Import Solutions was R204.9 million and the profit before taxation amounted to R68.2 million. If the acquisition of Investec Import Solutions had occurred at the beginning of the current year, the increase in operating income and profit before taxation of the group would be R269.5 million and R93.1 million respectively.

At 31 March 2016, goodwill has not been impaired.

During the year, the group acquired an interest in associated undertakings. For further information on the associate, please refer to note 28.

36. Investment in subsidiaries

At 31 March	Nature of business	Issued ordinary share capital	Holding %	Shares at book value R'million 2016	Shares at book value R'million 2015	Net indebtedness R'million 2016	Net indebtedness R'million 2015
Direct material subsidiaries of Investec Limited							
Investec Bank Limited#	Banking	R31 509 511	100.0%	13 600	13 600	523	774
Investec Asset Management Holdings (Pty) Ltd #	Investment holding	R240	85.0%	68	68	–	–
Investec Employee Benefits Holdings (Pty) Ltd #	Investment holding	R1	100.0%	850	850	63	63
Investec Int. (Gibraltar) Holdings 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 011 456	100.0%	200	200	–	–
Investec Property Group Holdings (Pty) Ltd#	Investment holding	R3 000	100.0%	*	*	–	–
Other subsidiaries				(12)	(12)	49	47
				15 011	**15 011**	**594**	**843**

* 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	R11 000 000	85.0%
Investec Asset Management (Pty) Ltd#	Asset management	R60 000	85.0%
Investec Fund Managers SA (RF) Limited#	Unit trust management	R9 000 000	85.0%
Investec Bank (Mauritius) Limited**	Banking	US$56 478 463	100.0%
Investec Property (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	R9 714 108 310	28.6%
Investec Import Solutions (Pty) Ltd	Import logistics and trade finance	R240	100.0%

\# South Africa.
** Mauritius.

Details of subsidiaries 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. Any change in the holding in Investment Property Fund Limited would require a reassessment of the facts and circumstances.

36. 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
Fox Street 5 (RF) Limited	Securitised residential mortgages
Integer Home Loans (Pty) Ltd	Securitised third-party originated residential mortgages

During the current year, Grayston Conduit 1 (RF) Limited has been wound up.

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

Further 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 has 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 2016	 2015
37. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	581	615
Investec Assurance Limited	122 927	113 257
	123 508	**113 872**
Insurance liabilities, including unit-linked liabilities – (IEB)	32	33
	123 540	**113 905**
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	613	648
	613	**648**
Investments shown above comprise:		
Interest-bearing securities	191	229
Stocks, shares and unit trusts	219	230
Deposits	203	189
	613	**648**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	121 695	112 738
Debtors and prepayments	762	142
Other assets	470	377
	122 927	**113 257**
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	27 677	27 466
Stocks, shares and unit trusts	78 172	72 954
Deposits	15 846	12 318
	121 695	**112 738**

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 2016	Group 2015
38. Other trading liabilities		
Deposits	829	797
Short positions		
– Equities	14 194	9 772
– Gilts	418	811
	15 441	**11 380**

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
39. Debt securities in issue				
Repayable in:				
Less than three months	4 106	534	–	–
Three months to one year	741	2 685	–	–
One to five years	7 571	6 164	916	913
Greater than five years	361	43	–	–
	12 779	**9 426**	**916**	**913**

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
40. Other liabilities				
Settlement liabilities	3 303	2 758	–	–
Other non-interest-bearing liabilities	2 392	1 422	12	9
Other creditors and accruals	4 542	3 617	321	161
	10 237	**7 797**	**333**	**170**

At 31 March R'million	Group		Company	
	2016	**2015**	**2016**	**2015**
41. 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	–	–
IV013 variable rate subordinated unsecured callable bonds	–	50	–	–
IV014 10.545% subordinated unsecured callable bonds	–	125	–	–
IV015 variable rate subordinated unsecured callable bonds	601	1 350	–	–
IV016 variable rate subordinated unsecured callable bonds	325	325	–	–
IV017 indexed rate subordinated unsecured callable bonds	2 194	2 063	–	–
IV019 indexed rate subordinated unsecured callable bonds	92	86	–	–
IV019A indexed rate subordinated unsecured callable bonds	339	317	–	–
IV022 variable rate subordinated unsecured callable bonds	638	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	365	343	–	–
IV030A indexed rate subordinated unsecured callable bonds	392	367	–	–
IV031 variable rate subordinated unsecured callable bonds	500	500	–	–
IV032 variable rate subordinated unsecured callable bonds	810	810	–	–
IV033 variable rate subordinated unsecured callable bonds	159	–	–	–
IV034 fixed rate subordinated unsecured callable bonds	101	–	–	–
IV035 variable rate subordinated unsecured callable bonds	1 100	–	–	–
Issued by Investec Limited				
INLV02 variable rate subordinated unsecured callable bonds	276	–	276	–
INLV03 variable rate subordinated unsecured callable bonds	94	–	94	–
INLV04 fixed rate subordinated unsecured callable bonds	255	–	255	–
	11 357	**10 449**	**625**	**–**
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	–	–
In more than one year, but not more than two years	–	–	–	–
In more than two years, but not more than five years	400	400	–	–
In more than five years	10 957	9 874	625	–
	11 357	**10 449**	**625**	**–**

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.

41. Subordinated liabilities *(continued)*

IV08 13.735% SUBORDINATED UNSECURED CALLABLE UPPER TIER 2 BONDS

R200 million Investec Bank Limited IV08 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid six-monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called.

IV09 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE UPPER TIER 2 BONDS

R200 million Investec Bank Limited IV09 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to 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.

IV013 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

Rnil (2015: 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

Rnil (2015: 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

R601 million (2015: 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. R749 million IVO15 bonds were repurchased by Investec Bank Limited during the current year.

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 194 million (2015: R2 063 million) Investec Bank Limited IV017 locally registered subordinated unsecured callable bonds are due in January 2022. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.75%. The IV017 is a replica of the R212 South African government bond. The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017.

IV019 INDEXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R92 million (2015: R86 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 or from 3 April 2023.

41. Subordinated liabilities *(continued)*

IV019A INDEXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R339 million (2015: R317 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 or from 3 April 2023.

IV022 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R638 million (2015: 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 or from 2 April 2017. R359 million IVO22 bonds were repurchased by Investec Bank Limited during the current year.

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 or 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 or 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 or 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 or from 27 September 2019.

IV030 INDEXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R365 million (2015: R343 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 or from 31 January 2020.

IV030A INDEXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R392 million (2015: R367 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 or from 31 January 2020.

41. Subordinated liabilities *(continued)*

IV031 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R500 million Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the 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 or 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 or from 14 August 2018.

IV033 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R159 million (2015: Rnil) Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

IV034 FIXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R101 million (2015: Rnil) Investec Bank Limited IV034 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable semi-annually on 11 February and 11 August at a rate equal to 12.47% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

IV035 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R1 100 million (2015: Rnil) Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

INLV02 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R276 million (2015: Rnil) Investec Bank Limited INVL02 locally registered subordinated unsecured callable bonds are due in October 2025. Interest is payable quarterly on 20 January, 20 April, 20 July and 20 October at a rate equal to the three-month JIBAR plus 3.7% up to and excluding 20 October 2025. The maturity date is 20 October 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 October 2020.

INVL03 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R94 million (2015: Rnil) Investec Bank Limited INVL03 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.35% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INVL04 FIXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R255 million (2015: Rnil) Investec Bank Limited INVL04 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to 12.77% up to and excluding 7 April 2027. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
42. Ordinary share capital				
Authorised				
450 000 000 (2015: 450 000 000) ordinary shares of R0.0002 each				
Issued				
291 363 706 (2015: 285 748 623) 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 2016 integrated annual report.

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
43. Perpetual preference shares of holding company				
Authorised				
100 000 000 (2015:100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
32 214 499 (2015: 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	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 2016	Group 2015	Company 2016	Company 2015
44. Share premium				
Share premium on ordinary shares	7 726	7 114	7 775	7 164
Share premium on perpetual preference shares (refer to note 43)	3 183	3 183	3 183	3 183
	10 909	**10 297**	**10 958**	**10 347**

45. Treasury shares

At 31 March	2016	2015
	R'million	R'million
Treasury shares held by subsidiaries of Investec limited		
Premium paid on options held to acquire Investec Limited shares	(279)	(279)
Investec Limited ordinary shares	1 528	1 250
	1 249	**971**
Number of Investec Limited ordinary shares held by subsidiaries	24 158 289	21 162 694
	Number	Number
Reconciliation of treasury shares		
At the beginning of the year	21 162 694	19 043 838
Purchase of own shares by subsidiary companies	5 933 826	7 188 575
Shares disposed of by subsidiaries	(2 938 231)	(5 069 719)
At the end of the year	**24 158 289**	**21 162 694**
	R'million	R'million
Market value of treasury shares	2 655	2 045

46. Other Additional Tier 1 securities in issue

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
INLV01 variable rate subordinated unsecured callable bonds	550	550	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.

47. Non-controlling interests

At 31 March R'million	Group 2016	Group 2015
Perpetual preference shares issued by Investec Bank Limited	1 534	1 534
Non-controlling interests in partially held subsidiaries	8 140	4 631
	9 674	**6 165**

Perpetual preference shares issued by Investec Bank Limited

Authorised

70 000 000 (2015: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.

Issued

15 447 630 (2015: 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.

47. 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 (Pty) Ltd		Investec Property Fund Limited (IPF)	
	2016	**2015**	**2016**	**2015**
Non-controlling interests (NCI) (%)	15.0%	15.0%	71.4%	66.9%
Summarised financial information (R'million)				
Total assets	126 114	116 298	17 245	8 832
Total liabilities	124 590	114 842	6 150	2 217
Revenue	3 006	2 976	1 125	927
Profit before taxation	1 193	1 310	1 116	885
Carrying amount of NCI	235	228	7 905	4 403
Profit allocated to NCI	129	145	795	569

The reduction in the shareholding of IPF is as a result of rights issues made to fund an investment properties portfolio which increased the net asset value of the business.

	Group			
	2016		2015	
At 31 March R'million	**Total future minimum payments**	**Present value**	**Total future minimum payments**	**Present value**
48. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	731	590	666	543
One to five years	717	616	634	561
	1 448	**1 206**	**1 300**	**1 104**
Unearned finance income	**242**		**196**	

At 31 March 2016 and 31 March 2015 there were no unguaranteed residual values.

At 31 March R'million	Group 2016	Group 2015	Company 2016	Company 2015
49. Notes to the cash flow statement				
Profit before taxation adjusted for non-cash and non-operating items:				
Profit before taxation	7 365	6 446	701	1441
Adjustment for non-cash and non-operating items:				
Impairment of goodwill	34	17	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	196	178	–	–
Amortisation of acquired intangibles	39		–	
Impairment losses on loans and advances	520	456	–	–
Operating loss from associates	11	–	–	–
Write down of non-current assets held for sale	131	–	–	–
Share-based payment charges	582	506	(365)	(679)
Revaluation of investment properties	(263)	(181)	–	–
	8 615	**7 422**	**336**	**762**
(Increase)/decrease in operating assets				
Loans and advances to banks	8 497	960	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	(32 560)	(2 301)	–	–
Sovereign debt securities	(10 000)	3 439	–	–
Bank debt securities	2 980	4 123	–	–
Other debt securities	(2 532)	1 148	–	3
Derivative financial instruments	(1 335)	(3 083)	–	–
Securities arising from trading activities	(5 088)	(2 503)	–	–
Investment portfolio	(26)	(1 410)	–	–
Loans and advances to customers	(32 858)	(23 863)	–	–
Own originated loans and advances to customers securitised	(1 174)	(548)	–	–
Other loans and advances	105	80	–	–
Other securitised assets	1 088	679	–	–
Other assets	(353)	(2 889)	–	5
Investment properties	(7 979)	(1 887)	–	–
Assurance assets	(9 635)	(10 971)	–	–
Non-current assets held for sale	601	(1)	–	–
	(90 269)	**(39 027)**	**–**	**8**
Increase in operating liabilities				
Deposits by banks	9 501	7 647	–	–
Derivative financial instruments	1 023	3 142	–	–
Other trading liabilities	4 061	3 133	–	–
Repurchase agreements and cash collateral on securities lent	77	(1 310)	–	–
Customer accounts (deposits)	56 182	15 216	–	–
Debt securities in issue	3 353	856	3	105
Liabilities arising in securitisation of own originated loans and advances	(166)	(2 948)	–	–
Liabilities arising in securitisation of other assets	–	(156)	–	–
Other liabilities	2 136	1 100	163	51
Assurance liabilities	9 635	10 971	–	–
	85 802	**37 651**	**166**	**156**

For the year to 31 March R'million	Group 2016	Group 2015
50. Related-party transactions		
Compensation to the board of directors and other key management personnel		
Short-term employee benefits	582	693
Share-based payments	97	91
For information on overall compensation to key management personnel, refer to the remuneration report in volume two of Investec's 2016 integrated annual report.		
	679	**784**
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	669	588
Increase in loans	71	258
Repayment of loans	(131)	(179)
Exchange adjustments	111	2
At the end of the year	**720**	**669**
Guarantees		
At the beginning of the year	153	77
Guarantees cancelled	78	(33)
Additional guarantees granted	(9)	108
Exchange adjustments	17	1
At the end of the year	**239**	**153**
Deposits		
At the beginning of the year	(639)	(486)
Increase in deposits	(254)	(486)
Utilisation of deposits	442	343
Exchange adjustments	(92)	(10)
At the end of the year	**(543)**	**(639)**

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.

50. Related-party transactions *(continued)*

For the year to 31 March R'million	Group 2016	Group 2015
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	907	246
Loans and advances to customers	176	141
Other debt securities	2 677	2 882
Derivative financial instruments	356	1 782
Other assets	226	466
Liabilities		
Deposits from banks	195	63
Customer accounts (deposits)	–	31
Repurchase agreements and cash collateral on securities lent	2 326	4 193
Derivative financial instruments	132	696
Debt securities in issue	149	125
Other liabilities	463	327
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	137	267
Interest expense	58	25
In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2016, this resulted in a net receipt from Investec plc group of R331.6 million (2015: R377.7 million).		
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	676	463
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.		

For related party transactions within the company, refer to note 36.

ANNUAL FINANCIAL STATEMENTS

At 31 March R'million	Group 2016	Group 2015
51. Commitments		
Undrawn facilities	44 985	44 135
Other commitments	–	667
	44 985	**44 802**
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on the balance sheet.		
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	386	432
One to five years	1 893	1 893
Greater than five years	749	1 123
	3 028	**3 448**

At 31 March 2016, 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	2016 Carrying amount of pledged asset	2016 Carrying value of related liability repurchase agreements and cash collateral on securities lent	2015 Carrying amount of pledged asset	2015 Carrying value of related liability repurchase agreements and cash collateral on securities lent
Group				
Sovereign debt securities	–	–	5 055	8 220
Bank debt securities	6 947	6 317	7 466	4 144
Other debt securities	9 178	7 455	3 083	1 712
Securities arising from trading activities	49	1 553	357	1 146
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	698	472
	16 174	**15 325**	**16 659**	**15 694**

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 repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

At 31 March R'million	Group		Company	
	2016	2015	2016	2015
52. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	20 068	18 120	833	1 142
	20 068	**18 120**	**833**	**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.

53. 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 dependent on the classification between fair value hedges, and cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and the hedging instrument.

This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

FAIR VALUE HEDGES

Fair value hedges 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						
2016						
Interest rate swaps	Bonds	(831)	(459)	(266)	405	206
2015						
Interest rate swaps	Bonds	(635)	(192)	(16)	179	37

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

53. Hedges *(continued)*

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 reclassified to the income statement when the cash flow affects the income statement.

At 31 March R'million	Description of financial instrument being hedged	Description of financial instrument being hedged	Fair value of hedging instrument	Period in which the hedged cash flows are expected to occur and affect income statement
Group				
2016				
Cross-currency swaps	Bonds	Bonds	4 997	Three months
2015				
Cross-currency swaps	Bonds	Bonds	4 356	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.

R'million	Hedging instrument fair value
2016	(958)
2015	(351)

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

There were no hedges in the company.

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

The balances in the table below 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 unaudited analysis based on discounted cash flows, please refer to page 69.

At 31 March R'million	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								
2016								
Liabilities								
Deposits by banks	736	5 550	1 886	2 331	9 417	19 441	908	40 269
Derivative financial instruments	13 110	–	1	3	1	92	218	13 425
– held-for-trading	12 899	–	1	3	1	92	218	13 214
– held for hedging risk	211	–	–	–	–	–	–	211
Other trading liabilities	15 598	–	–	–	–	–	–	15 598
Repurchase agreements and cash collateral on securities lent	1 553	3 316	1 256	4	6 135	4 791	–	17 055
Customer accounts (deposits)	120 833	31 106	53 092	21 879	24 027	29 500	2 617	283 054
Debt securities in issue	–	1 567	2 539	170	573	7 738	361	12 948
Liabilities arising on securitisation of own originated loans and advances	–	9	38	38	76	761	1 800	2 722
Other liabilities	3 177	2 619	2 491	104	215	768	865	10 239
Subordinated liabilities	–	87	116	233	1 292	11 057	1 130	13 915
Total on balance sheet liabilities	**155 007**	**44 254**	**61 419**	**24 762**	**41 736**	**74 148**	**7 899**	**409 225**
Contingent liabilities	1 210	156	8 334	272	1 497	11 832	1 955	25 256
Commitments	6 217	750	5 494	1 815	4 209	10 130	16 528	45 143
Total liabilities	**162 434**	**45 160**	**75 247**	**26 849**	**47 442**	**96 110**	**26 382**	**479 624**

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

(continued)

At 31 March R'million	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**	**56 061**	**18 042**	**39 590**	**85 355**	**29 079**	**394 703**

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

(continued)

At 31 March R'million	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								
2016								
Liabilities								
Debt securities in issue	–	8	–	8	16	980	–	1 012
Other liabilities	–	10	40	–	–	–	284	334
Subordinated liabilities	–	–	18	18	36	888	–	960
Total on balance sheet liabilities	**–**	**18**	**58**	**26**	**52**	**1 868**	**284**	**2 306**
Contingent liabilities	–	–	101	172	562	11	–	846
Total liabilities	**–**	**18**	**159**	**198**	**614**	**1 879**	**284**	**3 152**
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**
Contingent liabilities	–	210	129	173	639	–	–	1 151
Total liabilities	**–**	**210**	**169**	**173**	**639**	**1 023**	**20**	**2 234**

55. Offsetting

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					
2016					
Assets					
Cash and balances at central banks	7 801	–	7 801	–	7 801
Loans and advances to banks	42 852	(13 369)	29 483	–	29 483
Non-sovereign and non-bank cash placements	9 858	–	9 858	–	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	43 317	–	43 317	(1 275)	42 042
Sovereign debt securities	41 325	–	41 325	–	41 325
Bank debt securities	15 117	–	15 117	(6 947)	8 170
Other debt securities	11 753	–	11 753	(9 178)	2 575
Derivative financial instruments	19 643	(3 804)	15 839	(7 540)	8 299
Securities arising from trading activities	12 566	–	12 566	(325)	12 241
Investment portfolio	4 683	–	4 683	–	4 683
Loans and advances to customers	210 127	(1 407)	208 720	–	208 720
Own originated loans and advances to customers securitised	9 238	–	9 238	–	9 238
Other loans and advances	367	–	367	–	367
Other securitised assets	201	–	201	–	201
Other assets	9 596	–	9 596	(234)	9 362
	438 444	**(18 580)**	**419 864**	**(25 499)**	**394 365**
Liabilities					
Deposits by banks	41 601	(1 538)	40 063	–	40 063
Derivative financial instruments	29 059	(15 635)	13 424	(7 540)	5 884
Other trading liabilities	15 441	–	15 441	–	15 441
Repurchase agreements and cash collateral on securities lent	16 916	–	16 916	(16 174)	742
Customer accounts (deposits)	281 227	(1 407)	279 820	–	279 820
Debt securities in issue	12 779	–	12 779	–	12 779
Liabilities arising on securitisation of own originated loans and advances	1 810	–	1 810	–	1 810
Other liabilities	10 237	–	10 237	(1 785)	8 452
Subordinated liabilities	11 357	–	11 357	–	11 357
	420 427	**(18 580)**	**401 847**	**(25 499)**	**376 348**

55. Offsetting *(continued)*

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
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**

Contact details

MAURITIUS, EBÉNE CYBER CITY

Level 8C Cyber Tower II
Ebéne Cyber City
Telephone (230) 403 0401
Facsimile (230) 403 0498
e-mail info@investec.com

MAURITIUS, PORT LOUIS

6th Floor Dias Pier Building
Le Caudan Waterfront Caudan
Port Louis
Telephone (230) 207 4000
Facsimile (230) 207 4002/3
e-mail info@investec.com

NAMIBIA, WINDHOEK

Office 1 Ground Floor
Heritage Square Building
100 Robert Mugabe Avenue Windhoek
Telephone (264) 61 249 626
Facsimile (264) 61 249 689
e-mail info@investec.com

SOUTH AFRICA, CAPE TOWN

36 Hans Strijdom Avenue
Foreshore Cape Town 8001
PO Box 1826 Cape Town 8000
Telephone (27) 21 416 1000
Facsimile (27) 21 416 1001

SOUTH AFRICA, DURBAN

5 Richefond Circle
Ridgeside Office Park
Umhlanga Durban 4319
PO Box 25278 Gateway Durban 4321
Telephone (27) 31 575 4000
Facsimile (27) 865 009 901

SOUTH AFRICA, EAST LONDON

1st Floor Pilot Mill House The Quarry
Selbourne East London 5247
PO Box 19484 Tacoma 5214
Telephone (27 43) 721 0660
Facsimile (27 43) 721 0664

SOUTH AFRICA, JOHANNESBURG

100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2146
Telephone (27 11) 286 7000
Facsimile (27 11) 286 7777
e-mail, South African offices

- Recruitment queries: recruitment@investec.co.za
- Client queries
  - Asset management: comcentre@investecmail.com
  - Institutional Securities: securities@investec.co.za
  - Private Client Securities: iso@investec.co.za
  - Property group: ipg@investec.co.za
  - Private Bank: privatebank@investec.co.za
  - Capital Markets: info-tsf@investec.co.za

SOUTH AFRICA, KNYSNA

TH24/TH25 Long Street Ext
Thesen Harbour Town Knysna 6571
Telephone (27) 44 302 1800
Facsimile (27) 44 382 4954

SOUTH AFRICA, MBOMBELA (FORMERLY NELSPRUIT)

2nd Floor 2 McAdam Street
Cnr McAdam and Rothery Streets
Mbombela 1200
PO Box 19428 The Village 1218
Telephone (27) 13 756 0900
Facsimile (27) 13 756 0990

SOUTH AFRICA, PIETERMARITZBURG

Acacia House Redlands Estate
1 George MacFarlane Lane
Pietermaritzburg 3201
PO Box 594 Pietermaritzburg 3200
Telephone (27) 33 264 5800
Facsimile (27) 33 342 1561

SOUTH AFRICA, PORT ELIZABETH

Waterfront Business Park
Pommen Street, Humerail
Port Elizabeth 6045
PO Box 13434 Greenacres 6013
Telephone (27) 41 396 6700
Facsimile (27) 41 363 1667

SOUTH AFRICA, PRETORIA

Cnr Atterbury and Klarinet Streets
Menlo Park Pretoria 0081
PO Box 1882 Brooklyn Square 0075
Telephone (27) 12 427 8300
Facsimile (27) 12 427 8310

SOUTH AFRICA, STELLENBOSCH

Block D De Wagen Road Office Park
Stellentia Street Stellenbosch 7600
PO Box 516 Stellenbosch 7599
Telephone (27) 21 809 0700
Facsimile (27) 21 809 0730

Notes