2016

Out of the Ordinary®

Investec

Investec Bank Limited

Salient financial information
for the six months ended
30 September 2016

Corporate information

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INTERNET ADDRESS

www.investec.com

REGISTRATION NUMBER

Reg. No. 1969/004763/06

AUDITORS

KPMG Inc.
Ernst & Young Inc.

TRANSFER SECRETARIES

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

DIRECTORATE

Executive directors
Richard J Wainwright (Chief executive officer)
Stephen Koseff
Bernard Kantor
Glynn R Burger
David M Lawrence (deputy chairman)
Bradley Tapnack
Nishlan A Samujh

Non-executive directors
Fani Titi (Chairman)
Samuel E Abrahams
Zarina BM Bassa
David Friedland
Khumo L Shuenyane
Peter RS Thomas

For queries regarding information in this document

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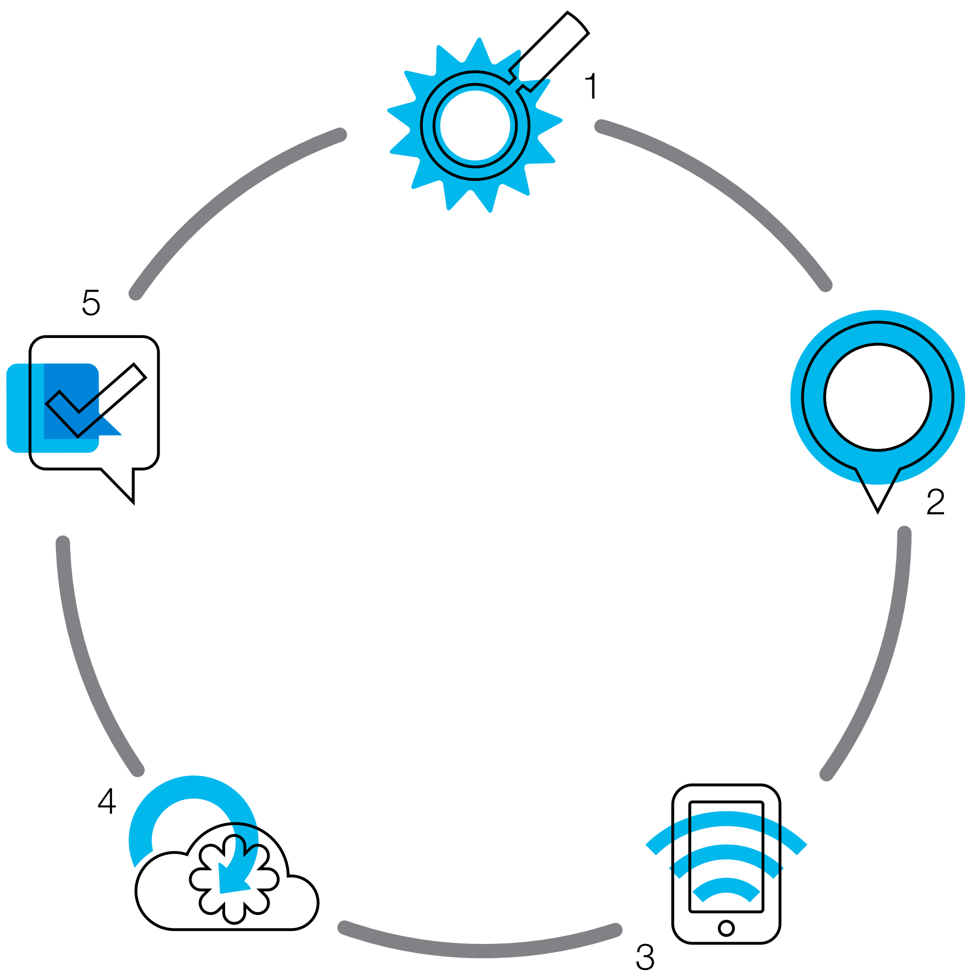


CROSS REFERENCE TOOLS

1. Audited information
Denotes information in the risk and remuneration reports that forms part of the group's audited 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

Overview of the period
(unaudited)

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

ONE

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

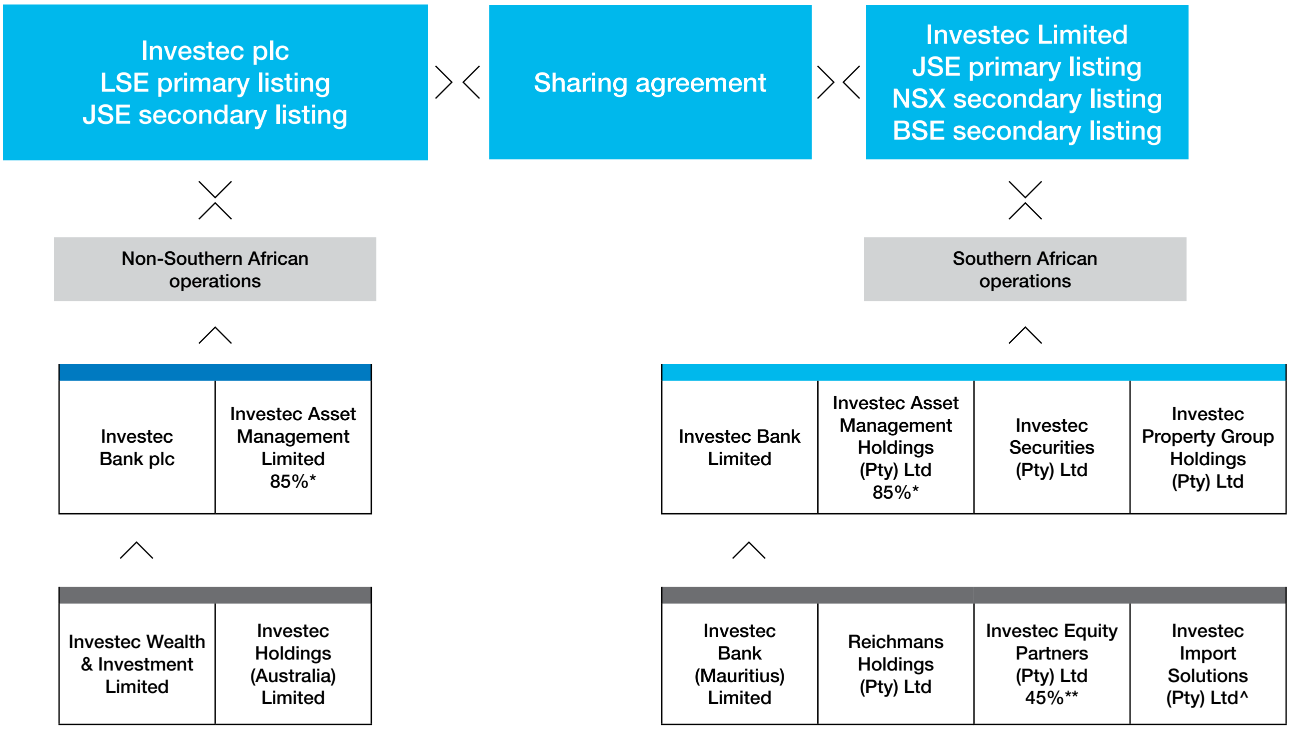
Operating structure

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

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

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

OUR DLC STRUCTURE AND MAIN OPERATING SUBSIDIARIES AS AT 30 SEPTEMBER 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 of 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.

What we do SPECIALIST BANKING

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

Corporates/government/institutional clients

Investment activities

Principal 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.

Furthermore, our Central Funding division is the custodian of certain equity and property investments.

Corporate and Institutional Banking activities

Treasury and trading services

Specialised lending, funds and debt capital markets

Advisory and equity capital markets

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

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

High-income and high net worth private clients

Private Banking activities

Transactional banking and foreign exchange

Lending

Deposits

Investments

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

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

Integrated systems and infrastructure

OVERVIEW OF THE PERIOD (UNAUDITED)

Specialist expertise delivered with dedication and energy

Business leader
Richard Wainwright

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

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

OUR 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

South Africa

Strong brand and positioning

Fifth largest bank

Leading in corporate institutional and private client banking activities

Mauritius

Established 1997

One of the leading international banks in Mauritius

Highlights

Investec Bank Limited, a subsidiary of Investec Limited, posted headline earnings attributable to ordinary shareholders of R1 486 million (2015: R1 807 million). Operating fundamentals were supported by sound levels of corporate and private client activity. Operating income excluding investment income increased by 19.8%. The balance sheet remains sound with a capital adequacy ratio of 14.9% (31 March 2016: 14.6%).

	30 Sept 2016	30 Sept 2015	% change	31 March 2016
Total operating income before impairment losses on loans and advances (R'million)	5 204	5 199	0.1%	10 388
Operating costs (R'million)	2 894	2 811	3.0%	5 537
Profit before taxation (R'million)	1 962	2 088	(6.0%)	4 295
Headline earnings attributable to ordinary shareholders (R'million)	1 486	1 807	(17.8%)	3 449
Cost to income ratio	55.6%	54.1%		53.3%
Total capital resources (including subordinated liabilities) (R'million)	45 553	41 023	11.0%	42 597
Total shareholders equity (R'million)	33 146	30 615	8.3%	31 865
Total assets (R'million)	411 408	365 637	12.5%	405 629
Net core loans and advances (R'million)	222 775	195 842	13.8%	215 239
Customer accounts (deposits) (R'million)	290 903	250 099	16.3%	279 736
Cash and near cash balances (R'million)	123 878	100 042	23.8%	124 907
Capital adequacy ratio	14.9%	14.5%		14.6%
Tier 1 ratio	10.8%	10.8%		11.0%
Common equity tier 1 ratio	10.5%	10.4%		10.6%
Leverage ratio	7.6%	7.9%		7.3%
Defaults (net of impairments) as a % of net core loans and advances	1.25%	1.13%		1.06%
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.30%	0.28%		0.26%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	12.2x	11.9x		12.6x
Loans and advances to customers: customer accounts (deposits)	73.7%	75.4%		74.1%

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2015.

Salient operational features for the period under review include:

Total operating income before impairment losses on loans and advances remained in line with the prior year amounting to R5 204 million (2015: R5 199 million). The components of operating income are analysed further below:

- Net interest income increased 22.8% to R3 759 million (2015: R3 061 million) driven by strong book growth in the 2016 financial year as well as sound levels of lending activity in the current period.
- Net fee and commission income increased 1.7% to R894 million (2015: R879 million) as a result of a sound performance from the corporate lending and treasury teams as well as the acquisition of Blue Strata (rebranded Investec Import Solutions) in the prior period.
- Investment income decreased 83.0% to R170 million (2015: R1,002 million) impacted by a change in accounting treatment from fair value to equity accounting (refer to additional information).
- Share of post taxation operating profit of associates of R172 million in the current period largely reflects earnings in relation to the group's investment in Investec Equity Partners.
- Total trading income decreased 21.8% to R208 million (2015: R266 million) largely due to foreign currency translation impacts, while corporate customer flow trading income remained in line with the prior period.

Impairments on loans and advances increased from R287 million to R322 million, with the credit loss ratio on average core loans and advances amounting to 0.30% (31 March 2016: 0.26%), remaining at the lower end of its long term average trend. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.25% (31 March 2016: 1.06%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.66 times (31 March 2016: 1.61 times).

The ratio of total operating costs to total operating income amounted to 55.6% (2015: 54.1%). Total operating expenses at R2 894 million were 3.0% higher than the prior year (2015: R2 811 million) reflecting higher headcount and IT infrastructure costs across the business to support increased activity and growth initiatives.

As a result of the foregoing factors profit before taxation and acquired intangibles decreased by 5.4% to R1 988 million (2015: R2 101 million).

Additional Information – Investec Equity Partners

A new investment vehicle, Investec Equity Partners (IEP), was created on 11 January 2016 in which Investec holds a 45% stake alongside other strategic investors who hold the remaining 55%. Investec Principal Investments transferred certain portfolio investments to the value of R5.1 billion to IEP. In exchange Investec received R0.7 billion in cash and 45% of the shares in IEP (R5.1 billion), reflected as an associate on the balance sheet. Since the date of the transaction Investec has applied the equity accounting method to account for its investment in the new vehicle as opposed to the fair value accounting method previously applied to the underlying investments held.

Two

Financial
statements
(reviewed)

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, comprising the consolidated balance sheet at 30 September 2016, and the consolidated income statement, consolidated statement of comprehensive income and the condensed consolidated statements of changes in equity and cash flows for the six months then ended, and selected explanatory notes, in accordance with the International Financial Reporting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

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

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

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

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 16 November 2016 and are signed on its behalf by

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

TO THE SHAREHOLDERS OF INVESTEC BANK LIMITED

We have reviewed the condensed consolidated interim financial statements of Investec Bank Limited, contained in the accompanying interim report, which comprise the consolidated balance sheet at 30 September 2016, the consolidated income statement, consolidated statement of comprehensive income and the condensed consolidated statements of changes in equity and cash flows for the six months then ended, and selected explanatory notes, as set out on pages 12 to 24 .

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Investec Bank Limited for the six months ended 30 September 2016 are not prepared, in all material respects, in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director

16 November 2016

Ernst & Young Inc.
102 Rivonia Road
Sandown
2196

KPMG Inc.

KPMG INC.
Registered Auditor

Per Peter MacDonald
Chartered Accountant (SA)
Registered Auditor
Director

16 November 2016

KPMG INC.
85 Empire Road
Parktown
2193

Consolidated income statement

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Interest income	14 973	10 908	23 515
Interest expense	(11 214)	(7 847)	(16 803)
Net interest income	**3 759**	**3 061**	**6 712**
Fee and commission income	1 023	950	1 945
Fee and commission expense	(129)	(71)	(207)
Investment income	170	1 002	1 356
Share of post taxation operating profit/(loss) of associates	172	(11)*	(11)*
Trading income arising from			
– customer flow	167	166	293
– balance sheet management and other trading liabilities	41	100	298
Other operating income	1	2*	2*
Total operating income before impairment losses on loans and advances	**5 204**	**5 199**	**10 388**
Impairment losses on loans and advances	(322)	(287)	(517)
Operating income	**4 882**	**4 912**	**9 871**
Operating costs	(2 894)	(2 811)	(5 537)
Operating profit before acquired intangibles	**1 988**	**2 101**	**4 334**
Amortisation of acquired intangibles	(26)	(13)	(39)
Profit before taxation	**1 962**	**2 088**	**4 295**
Taxation on operating profit before acquired intangibles	(358)	(307)	(831)
Taxation on acquired intangibles	7	4	11
Profit after taxation	**1 611**	**1 785**	**3 475**

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

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Profit after taxation	1 611	1 785	3 475
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*	373	(343)	(699)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	661	(348)	(717)
Gain on realisation of available-for-sale assets recycled through the income statement*	(60)	(13)	(13)
Foreign currency adjustments on translating foreign operations	(339)	694	1 040
Total comprehensive income	**2 246**	**1 775**	**3 086**
Total comprehensive income attributable to ordinary shareholders	2 181	1 716	2 966
Total comprehensive income attributable to perpetual preference shareholders	65	59	120
Total comprehensive income	**2 246**	**1 775**	**3 086**

* *Net of taxation of (R167.3 million) [Six months to 30 September 2015: R312.2 million; year to 31 March 2016: R515.3 million].*

Consolidated balance sheet

At R'million	30 Sept 2016	31 March 2016	30 Sept 2015
Assets			
Cash and balances at central banks	8 101	7 801	6 698
Loans and advances to banks	32 571	26 779	24 913
Non-sovereign and non-bank cash placements	10 218	9 858	11 435
Reverse repurchase agreements and cash collateral on securities borrowed	31 068	38 912	23 267
Sovereign debt securities	47 800	41 325	34 850
Bank debt securities	8 294	13 968	15 829
Other debt securities	11 396	12 761	14 024
Derivative financial instruments	11 821	15 843	14 491
Securities arising from trading activities	824	992	3 354
Investment portfolio	7 073	6 360	10 625
Loans and advances to customers	214 452	207 272	188 532
Own originated loans and advances to customers securitised	8 323	7 967	7 310
Other loans and advances	336	367	403
Other securitised assets	106	115	503
Interests in associated undertakings	5 382	5 145	53
Deferred taxation assets	118	116	98
Other assets	4 351	3 656	4 879
Property and equipment	236	236	236
Investment properties	1	1	1
Goodwill	171	171	172
Intangible assets	521	524	557
Loans to group companies	7 748	5 460	2 806
Non-current assets classified as held for sale	497	–	601
	411 408	**405 629**	**365 637**
Liabilities			
Deposits by banks	32 934	37 242	32 539
Derivative financial instruments	11 897	13 424	13 088
Other trading liabilities	1 529	1 405	1 949
Repurchase agreements and cash collateral on securities lent	16 721	16 916	14 368
Customer accounts (deposits)	290 903	279 736	250 099
Debt securities in issue	5 418	7 665	6 452
Liabilities arising on securitisation of own originated loans and advances	728	809	957
Current taxation liabilities	692	671	746
Deferred taxation liabilities	159	122	221
Other liabilities	4 874	5 042	4 195
	365 855	**363 032**	**324 614**
Subordinated liabilities	12 407	10 732	10 408
	378 262	**373 764**	**335 022**
Equity			
Ordinary share capital	32	32	32
Share premium	14 885	14 885	14 885
Other reserves	1 128	566	848
Retained income	17 101	16 382	14 850
Total equity	**33 146**	**31 865**	**30 615**
Total liabilities and equity	**411 408**	**405 629**	**365 637**

Condensed consolidated statement of changes in equity

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Balance at the beginning of the period	**31 865**	**28 899**	**28 899**
Total comprehensive income	2 246	1 775	3 086
Dividends paid to ordinary shareholders	(900)	–	–
Dividends paid to perpetual preference shareholders	(65)	(59)	(120)
Balance at the end of the period	**33 146**	**30 615**	**31 865**

Condensed consolidated cash flow statement

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Net cash inflow from operating activities	1 896	32	2 469
Net cash outflow from investing activities	(102)	(418)	(499)
Net cash inflow/(outflow) from financing activities	717	(100)	(43)
Effects of exchange rate changes on cash and cash equivalents	(501)	482	773
Net increase/(decrease) in cash and cash equivalents	2 010	(4)	2 700
Cash and cash equivalents at the beginning of the year	26 483	23 783	23 783
Cash and cash equivalents at the end of the year	**28 493**	**23 779**	**26 483**

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

Accounting policies and disclosures

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of the results for the six months ended 30 September 2016 are consistent with those adopted in the financial statements for the year ended 31 March 2016.

The financial results have been prepared under the supervision of Nishlan Samujh, the Group Financial Officer.

CALCULATION OF HEADLINE EARNINGS

R'million	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Profit after taxation	1 611	1 785	3 475
Preference dividends paid	(65)	(59)	(120)
Earnings attributable to ordinary shareholders	**1 546**	**1 726**	**3 355**
Headline adjustments, net of taxation*	(60)	81	94
Gain on realisation of available-for-sale assets recycled through the income statement	(60)	(13)	(13)
Write down of non-current assets classified as held-for-sale	–	94	107
Headline earnings attributable to ordinary shareholders	**1 486**	**1 807**	**3 449**

* *Net of taxation of R23.4 million [Six months to 30 September 2015: (R31.5 million); year to 31 March 2016: (R19.3 million)].*

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the six months to 30 September R'million	Notes	2016 Balance sheet value	2016 Interest income	2015 Balance sheet value	2015 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	138 052	3 828	116 992	2 714
Core loans and advances	2	222 775	10 534	195 842	7 861
Private client		148 112	7 045	128 648	5 063
Corporate, institutional and other clients		74 663	3 489	67 194	2 798
Other debt securities and other loans and advances		11 732	333	14 427	207
Other interest-earning assets	3	7 854	278	3 309	126
Total interest-earning assets		**380 413**	**14 973**	**330 570**	**10 908**

For the six months to 30 September R'million	Notes	2016 Balance sheet value	2016 Interest expense	2015 Balance sheet value	2015 Interest expense
Deposits by banks and other debt-related securities	4	55 073	(777)	53 359	(657)
Customer accounts (deposits)		290 903	(9 973)	250 099	(6 789)
Other interest-bearing liabilities	5	728	–	957	–
Subordinated liabilities		12 407	(464)	10 408	(401)
Total interest-bearing liabilities		**359 111**	**(11 214)**	**314 823**	**(7 847)**
Net interest income			**3 759**		**3 061**

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and 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; loans to group companies.*
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.*

Net fee and commission income

For the six months to 30 September R'million	2016	2015
Corporate and institutional transactional and advisory services	701	619
Private client transactional fees	322	331
Fee and commission income	1 023	950
Fee and commission expense	(129)	(71)
Net fee and commission income	**894**	**879**
Annuity fees (net of fees payable)	504	518
Deal fees	390	361

Investment income

For the six months to 30 September R'million	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2016					
Realised	135	92	–	22	249
Unrealised	(216)	–	–	(38)	(254)
Dividend income	199	–	–	–	199
Funding cost and other net related costs	(21)	–	–	(3)	(24)
	97	**92**	**–**	**(19)**	**170**
2015					
Realised	422	63	60	14	559
Unrealised	414	–	(60)	1	355
Dividend income	245	–	–	–	245
Funding cost and other net related costs	(157)	–	–	–	(157)
	924	**63**	**–**	**15**	**1 002**

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

Analysis of assets and liabilities by measurement basis

At 30 September 2016 R'million	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	8 101	–	8 101
Loans and advances to banks	–	32 571	–	32 571
Non-sovereign and non-bank cash placements	38	10 180	–	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	15 931	15 137	–	31 068
Sovereign debt securities	43 953	3 847	–	47 800
Bank debt securities	4 998	3 296	–	8 294
Other debt securities	9 436	1 960	–	11 396
Derivative financial instruments	11 821	–	–	11 821
Securities arising from trading activities	824	–	–	824
Investment portfolio	7 073	–	–	7 073
Loans and advances to customers	14 345	200 107	–	214 452
Own originated loans and advances to customers securitised	–	8 323	–	8 323
Other loans and advances	–	336	–	336
Other securitised assets	–	106	–	106
Interests in associated undertakings	–	–	5 382	5 382
Deferred taxation assets	–	–	118	118
Other assets	462	2 521	1 368	4 351
Property and equipment	–	–	236	236
Investment properties	–	–	1	1
Goodwill	–	–	171	171
Intangible assets	–	–	521	521
Loans to group companies	30	7 718	–	7 748
Non-current assets classified as held for sale	–	–	497	497
	108 911	294 203	8 294	411 408
Liabilities				
Deposits by banks	–	32 934	–	32 934
Derivative financial instruments	11 897	–	–	11 897
Other trading liabilities	1 529	–	–	1 529
Repurchase agreements and cash collateral on securities lent	78	16 643	–	16 721
Customer accounts (deposits)	9 160	281 743	–	290 903
Debt securities in issue	3 941	1 477	–	5 418
Liabilities arising on securitisation of own originated loans and advances	–	728	–	728
Current taxation liabilities	–	–	692	692
Deferred taxation liabilities	–	–	159	159
Other liabilities	731	1 325	2 818	4 874
Subordinated liabilities	–	12 407	–	12 407
	27 336	347 257	3 669	378 262

Financial instruments carried at fair value

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

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

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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)

		Fair value category		
At 30 September 2016 **R'million**	Total instruments at fair value	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	38	–	38	–
Reverse repurchase agreements and cash collateral on securities borrowed	15 931	–	15 931	–
Sovereign debt securities	43 953	43 953	–	–
Bank debt securities	4 998	2 833	2 165	–
Other debt securities	9 436	9 436	–	–
Derivative financial instruments	11 821	–	11 811	10
Securities arising from trading activities	824	824	–	–
Investment portfolio	7 073	3 646	187	3 240
Loans and advances to customers	14 345	–	14 345	–
Loans to group companies	30	–	30	–
Other assets	462	462	–	–
	108 911	61 154	44 507	3 250
Liabilities				
Derivative financial instruments	11 897	–	11 897	–
Other trading liabilities	1 529	430	1 099	–
Repurchase agreements and cash collateral on securities lent	78	–	78	–
Customer accounts (deposits)	9 160	–	9 160	–
Debt securities in issue	3 941	–	3 941	–
Other liabilities	731	–	731	–
	27 336	430	26 906	–
Net financial assets at fair value	81 575	60 724	17 601	3 250

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

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

LEVEL 3 INSTRUMENTS

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

R'million	30 Sept 2016
Balance at 1 April 2016	2 580
Total losses included in the income statement	(27)
Purchases	874
Sales	(127)
Transfers into level 3	4
Foreign exchange adjustments	(54)
Balance at 30 September 2016	3 250

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

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

For the six months to 30 September 2016

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

FINANCIAL STATEMENTS (REVIEWED)

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:

					Reflected in the income statement	
At 30 September 2016	Level 3 balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Favourable changes R'million	Unfavourable changes R'million
Assets						
Derivative financial instruments	10				1	(1)
		Price multiple	Net asset value	(10%) – 10%	1	(1)
Investment portfolio	3 240				705	(457)
		Price earnings	Change in PE multiple	*	373	(80)
		Other^	Various	**	332	(377)
Total	3 250				706	(458)

* *The price-earnings multiple has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*
** *These valuation sensitivities have been determined individually using varying scenario-based techniques to obtain the favourable and unfavourable valuations.*
^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share portfolios) has been assessed by adjusting various inputs such as expected cash flows, discount rates and earnings multiples. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

In determining the value of level 3 financial instruments, the following is a principal input that can require judgement:

PRICE-EARNINGS MULTIPLE

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

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT LEVEL 2

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

	Valuation basis/techniques	Main assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Bank debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model 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

Fair value of financial assets and liabilities at amortised cost

At 30 September 2016 R'million	Carrying amount	Fair value
Assets		
Cash and balances at central banks	8 101	8 101
Loans and advances to banks	32 571	32 571
Non-sovereign and non-bank cash placements	10 180	10 180
Reverse repurchase agreements and cash collateral on securities borrowed	15 137	15 137
Sovereign debt securities	3 847	3 897
Bank debt securities	3 296	4 413
Other debt securities	1 960	1 974
Loans and advances to customers	200 107	200 267
Own originated loans and advances to customers securitised	8 323	8 323
Other loans and advances	336	336
Other securitised assets	106	106
Other assets	2 521	2 521
Loans to group companies	7 718	7 718
	294 203	295 544
Liabilities		
Deposits by banks	32 934	33 314
Repurchase agreements and cash collateral on securities lent	16 643	16 638
Customer accounts (deposits)	281 743	281 760
Debt securities in issue	1 477	1 545
Liabilities arising on securitisation of own originated loans and advances	728	728
Other liabilities	1 325	1 325
Subordinated liabilities	12 407	13 498
	347 257	348 808

Three

Risk management
and capital information
(unaudited)

The following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2016.

Investec Bank 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.

CREDIT AND COUNTERPARTY RISK MANAGEMENT

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

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

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

Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure; i.e. the risk of exposure to loss caused by events in 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.

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

AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES

Credit and counterparty exposures increased by 1.6% to R452.5 billion largely due to growth in loans and advances to customers. Cash and near cash balances amount to R123.9 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.

R'million	30 Sept 2016	31 March 2016	% change	Average*
Cash and balances at central banks	8 101	7 801	3.8%	7 950
Loans and advances to banks	32 571	26 779	21.6%	29 674
Non-sovereign and non-bank cash placements	10 218	9 858	3.7%	10 038
Reverse repurchase agreements and cash collateral on securities borrowed	31 068	38 912	(20.2%)	34 990
Sovereign debt securities	47 800	41 325	15.7%	44 563
Bank debt securities	8 294	13 968	(40.6%)	11 131
Other debt securities	11 396	12 761	(10.7%)	12 079
Derivative financial instruments	7 070	10 756	(34.3%)	8 913
Securities arising from trading activities	677	539	25.6%	608
Loans and advances to customers (gross)	215 610	208 182	3.6%	211 896
Own originated loans and advances to customers securitised (gross)	8 329	7 973	4.5%	8 151
Other loans and advances (gross)	365	398	(8.3%)	382
Other assets	2 592	2 169	19.5%	2 381
Total on-balance sheet exposures	**384 091**	**381 421**	**0.7%**	**382 756**
Guarantees^	16 943	17 767	(4.6%)	17 355
Contingent liabilities, committed facilities and other	51 465	46 159	11.5%	48 812
Total off-balance sheet exposures	**68 408**	**63 926**	**6.7%**	**66 167**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**452 499**	**445 347**	**1.6%**	**448 923**

* *Where the average is based on a straight-line average for the period 1 April 2016 to 30 September 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 refer-ence	Total balance sheet
At 30 September 2016				
Cash and balances at central banks	8 101	–		8 101
Loans and advances to banks	32 571	–		32 571
Non-sovereign and non-bank cash placements	10 218	–		10 218
Reverse repurchase agreements and cash collateral on securities borrowed	31 068	–		31 068
Sovereign debt securities	47 800	–		47 800
Bank debt securities	8 294	–		8 294
Other debt securities	11 396	–		11 396
Derivative financial instruments	7 070	4 751		11 821
Securities arising from trading activities	677	147		824
Investment portfolio	–	7 073	1	7 073
Loans and advances to customers	215 610	(1 158)	2	214 452
Own originated loans and advances to customers securitised	8 329	(6)	2	8 323
Other loans and advances	365	(29)	2	336
Other securitised assets	–	106	3	106
Interest in associated undertakings	–	5 382	1	5 382
Deferred taxation assets	–	118		118
Other assets	2 592	1 759	4	4 351
Property and equipment	–	236		236
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	521		521
Loans to group companies	–	7 748		7 748
Non-current assets classified as held for sale	–	497		497
Total on-balance sheet exposures	**384 091**	**27 317**		**411 408**

1. *Largely relates to exposures that are classified as investment 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 *(continued)*

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 31 March 2016				
Cash and balances at central banks	7 801	–		7 801
Loans and advances to banks	26 779	–		26 779
Non-sovereign and non-bank cash placements	9 858	–		9 858
Reverse repurchase agreements and cash collateral on securities borrowed	38 912	–		38 912
Sovereign debt securities	41 325	–		41 325
Bank debt securities	13 968	–		13 968
Other debt securities	12 761	–		12 761
Derivative financial instruments	10 756	5 087		15 843
Securities arising from trading activities	539	453		992
Investment portfolio	–	6 360	1	6 360
Loans and advances to customers	208 182	(910)	2	207 272
Own originated loans and advances to customers securitised	7 973	(6)	2	7 967
Other loans and advances	398	(31)	2	367
Other securitised assets	–	115	3	115
Interest in associated undertakings	–	5 145	1	5 145
Deferred taxation assets	–	116		116
Other assets	2 169	1 487	4	3 656
Property and equipment	–	236		236
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	524		524
Loans to group companies	–	5 460		5 460
Total on-balance sheet exposures	**381 421**	**24 208**		**405 629**

1. *Largely relates to exposures that are classified as investment 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.*

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 30 September 2016						
Cash and balances at central banks	–	–	–	–	8 101	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	58	–	101	265
Reverse repurchase agreements and cash collateral on securities borrowed	610	–	–	–	–	329
Sovereign debt securities	–	–	–	–	47 800	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	2 316	–
Derivative financial instruments	–	–	17	449	–	117
Securities arising from trading activities	–	–	–	1	501	–
Loans and advances to customers (gross)	101 241	39 211	1 830	4 014	5 898	11 340
Own originated loans and advances to customers securitised (gross)	8 329	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total on-balance sheet exposures	**110 180**	**39 211**	**1 905**	**4 464**	**64 717**	**12 051**
Guarantees^	4 199	610	179	1 014	1 791	678
Contingent liabilities, committed facilities and other	30 066	5 964	476	2 575	315	1 225
Total off-balance sheet exposures	**34 265**	**6 574**	**655**	**3 589**	**2 106**	**1 903**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**144 445**	**45 785**	**2 560**	**8 053**	**66 823**	**13 954**
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 borrowed	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)	93 596	41 077	2 256	4 809	6 377	8 908
Own originated loans and advances to customers securitised (gross)	7 973	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	1	–	–	2
Total on-balance sheet exposures	**102 192**	**41 077**	**2 293**	**5 119**	**58 621**	**9 779**
Guarantees^	3 536	842	–	990	1 917	30
Contingent liabilities, committed facilities and other	24 845	2 265	432	814	309	782
Total off-balance sheet exposures	**28 381**	**3 107**	**432**	**1 804**	**2 226**	**812**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**130 573**	**44 184**	**2 725**	**6 923**	**60 847**	**10 591**

^ *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 commer-cial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	–	8 101
32 571	–	–	–	–	–	–	–	–	–	32 571
1 837	2 546	2 879	262	197	–	1 254	–	589	230	10 218
29 368	–	722	–	–	–	–	–	39	–	31 068
–	–	–	–	–	–	–	–	–	–	47 800
8 294	–	–	–	–	–	–	–	–	–	8 294
2 647	–	1 253	–	–	–	2 484	–	–	2 696	11 396
5 206	246	167	7	342	–	375	57	30	57	7 070
31	–	–	–	–	–	–	–	144	–	677
13 551	2 316	8 746	4 101	6 352	–	3 650	1 309	4 383	7 668	215 610
–	–	–	–	–	–	–	–	–	–	8 329
–	–	–	–	–	365	–	–	–	–	365
710	1 736	76	13	–	–	–	42	–	15	2 592
94 215	**6 844**	**13 843**	**4 383**	**6 891**	**365**	**7 763**	**1 408**	**5 185**	**10 666**	**384 091**
4 531	1 028	401	–	126	–	1 758	175	323	130	16 943
2 558	1 866	1 046	438	127	17	2 943	82	1 064	703	51 465
7 089	**2 894**	**1 447**	**438**	**253**	**17**	**4 701**	**257**	**1 387**	**833**	**68 408**
101 304	**9 738**	**15 290**	**4 821**	**7 144**	**382**	**12 464**	**1 665**	**6 572**	**11 499**	**452 499**
–	–	–	–	–	–	–	–	–	–	7 801
26 779	–	–	–	–	–	–	–	–	–	26 779
3 337	1 781	1 469	211	–	–	1 581	–	312	503	9 858
37 389	–	675	–	–	–	–	–	74	–	38 912
–	–	–	–	–	–	–	–	–	–	41 325
13 968	–	–	–	–	–	–	–	–	–	13 968
3 137	–	658	–	–	–	2 509	–	–	3 673	12 761
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	208 182
–	–	–	–	–	–	–	–	–	–	7 973
–	–	–	–	–	398	–	–	–	–	398
484	1 556	92	3	–	–	–	20	–	11	2 169
106 030	**5 967**	**13 241**	**3 638**	**6 927**	**398**	**8 931**	**1 860**	**4 643**	**10 705**	**381 421**
8 168	62	136	–	11	–	1 822	–	65	188	17 767
5 924	1 664	1 142	222	100	–	4 514	3	2 208	935	46 159
14 092	**1 726**	**1 278**	**222**	**111**	**–**	**6 336**	**3**	**2 273**	**1 123**	**63 926**
120 122	**7 693**	**14 519**	**3 860**	**7 038**	**398**	**15 267**	**1 863**	**6 916**	**11 828**	**445 347**

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

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.

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016
High net worth and professional individuals	109 570	101 569	34 875	29 004	144 445	130 573
Lending collateralised by property – largely to private clients	39 211	41 077	6 574	3 107	45 785	44 184
Agriculture	1 830	2 256	730	469	2 560	2 725
Electricity, gas and water (utility services)	4 014	4 809	4 039	2 114	8 053	6 923
Public and non–business services	5 898	6 377	60 925	54 470	66 823	60 847
Business services	11 340	8 908	2 614	1 683	13 954	10 591
Finance and insurance	13 551	11 977	87 753	108 145	101 304	120 122
Retailers and wholesalers	2 316	2 378	7 422	5 315	9 738	7 693
Manufacturing and commerce	8 746	10 128	6 544	4 391	15 290	14 519
Construction	4 101	3 424	720	436	4 821	3 860
Corporate commercial real estate	6 352	6 251	792	787	7 144	7 038
Other residential mortgages	–	–	382	398	382	398
Mining and resources	3 650	4 682	8 814	10 585	12 464	15 267
Leisure, entertainment and tourism	1 309	1 819	356	44	1 665	1 863
Transport	4 383	4 071	2 189	2 845	6 572	6 916
Communication	7 668	6 429	3 831	5 399	11 499	11 828
Total	**223 939**	**216 155**	**228 560**	**229 192**	**452 499**	**445 347**

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

R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	8 101	–	–	–	–	–	8 101
Loans and advances to banks	31 134	–	35	1 388	14	–	32 571
Non-sovereign and non-bank cash placements	10 218	–	–	–	–	–	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	24 142	2 128	187	3 848	763	–	31 068
Sovereign debt securities	12 602	9 577	9 064	2 111	7 811	6 635	47 800
Bank debt securities	756	908	317	4 624	1 484	205	8 294
Other debt securities	298	–	863	5 049	4 062	1 124	11 396
Derivative financial instruments	2 034	1 023	738	2 423	852	–	7 070
Securities arising from trading activities	38	–	227	196	36	180	677
Loans and advances to customers (gross)	18 728	8 430	14 499	106 398	21 995	45 560	215 610
Own originated loans and advances to customers securitised (gross)	–	–	2	35	346	7 946	8 329
Other loans and advances (gross)	–	–	–	365	–	–	365
Other assets	2 592	–	–	–	–	–	2 592
Total on-balance sheet exposures	**110 643**	**22 066**	**25 932**	**126 437**	**37 363**	**61 650**	**384 091**
Guarantees^	5 866	818	743	8 881	379	256	16 943
Contingent liabilities, committed facilities and other	12 345	1 180	3 634	15 397	2 832	16 077	51 465
Total off-balance sheet exposures	**18 211**	**1 998**	**4 377**	**24 278**	**3 211**	**16 333**	**68 408**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**128 854**	**24 064**	**30 309**	**150 715**	**40 574**	**77 983**	**452 499**

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

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.

R'million	30 Sept 2016	31 March 2016
Loans and advances to customers as per the balance sheet	214 452	207 272
Add: own originated loans and advances to customers securitised as per the balance sheet	8 323	7 967
Net core loans and advances to customers	**222 775**	**215 239**

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

R'million	30 Sept 2016	31 March 2016
Gross core loans and advances to customers	**223 939**	**216 155**
Total impairments	**(1 164)**	**(916)**
Specific impairments	(881)	(681)
Portfolio impairments	(283)	(235)
Net core loans and advances to customers	**222 775**	**215 239**
Average gross core loans and advances to customers	**220 047**	**197 412**
Current loans and advances to customers	217 096	211 807
Past due loans and advances to customers (1 – 60 days)	928	726
Special mention loans and advances to customers	1 975	415
Default loans and advances to customers	3 940	3 207
Gross core loans and advances to customers	**223 939**	**216 155**
Current loans and advances to customers	217 096	211 807
Default loans that are current and not impaired	568	867
Gross core loans and advances to customers that are past due but not impaired	3 767	1 653
Gross core loans and advances to customers that are impaired	2 508	1 828
Gross core loans and advances to customers	**223 939**	**216 155**
Total income statement charge for impairments on core loans and advances	**(326)**	**(523)**
Gross default loans and advances to customers	3 940	3 207
Specific impairments	(881)	(681)
Portfolio impairments	(283)	(235)
Defaults net of impairments	**2 776**	**2 291**
Aggregate collateral and other credit enhancements on defaults	4 597	3 690
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.52%	0.42%
Total impairments as a % of gross default loans	29.54%	28.56%
Gross defaults as a % of gross core loans and advances to customers	1.76%	1.48%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.25%	1.06%
Net defaults as a % of net core loans and advances to customers	–	–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.30%	0.26%

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

R'million	30 Sept 2016	31 March 2016
Default loans that are current	2 037	1 921
1 – 60 days	1 539	1 273
61 – 90 days	1 814	94
91 – 180 days	739	301
181 – 365 days	288	110
> 365 days	426	649
Past due and default core loans and advances to customers (actual capital exposure)	**6 843**	**4 348**
1 – 60 days	155	258
61 – 90 days	124	12
91 – 180 days	617	125
181 – 365 days	209	30
> 365 days	245	337
Past due and default core loans and advances to customers (actual amount in arrears)	**1 350**	**762**

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

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 30 September 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	568	–	–	–	–	–	568
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 236	1 761	640	57	73	3 767
Amount in arrears	–	143	89	584	33	38	887
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 469	303	53	99	231	353	2 508
Amount in arrears	–	12	35	33	176	207	463
At 31 March 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	867	–	–	–	–	–	867
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 117	70	213	68	185	1 653
Amount in arrears	–	254	6	104	14	140	518
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 054	156	24	88	42	464	1 828
Amount in arrears	–	4	6	21	16	197	244

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

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**928**	**–**	**–**	**–**	**–**	**928**
Special mention	**–**	**223**	**1 739**	**10**	**2**	**1**	**1 975**
Special mention (1 – 90 days)	–	223	1 614	10 *	2*	1*	1 850
Special mention (61 – 90 days and item well secured)	–	–	125	–	–	–	125
Default	**2 037**	**388**	**75**	**729**	**286**	**425**	**3 940**
Sub-standard	568	84	22	630	55	73	1 432
Doubtful	1 469	304	53	99	231	352	2 508
Total	**2 037**	**1 539**	**1 814**	**739**	**288**	**426**	**6 843**

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

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

* *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 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)	**–**	**726**	**–**	**–**	**–**	**–**	**726**
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	**1 921**	**224**	**30**	**287**	**100**	**645**	**3 207**
Sub-standard	868	66	6	200	58	181	1 379
Doubtful	1 053	158	24	87	42	464	1 828
Total	**1 921**	**1 273**	**94**	**301**	**110**	**649**	**4 348**

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 analysis of core loans and advances to customers

R'million	Gross core loans and advances neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 30 September 2016								
Current core loans and advances	**217 096**	**–**	**–**	**217 096**	**–**	**(270)**	**216 826**	**–**
Past due (1 – 60 days)	**–**	**928**	**–**	**928**	**–**	**(4)**	**924**	**135**
Special mention	**–**	**1 975**	**–**	**1 975**	**–**	**(3)**	**1 972**	**95**
Special mention (1 – 90 days)	–	1 850	–	1 850	–	(2)	1 848	11
Special mention (61 – 90 days and item well secured)	–	125	–	125	–	(1)	124	84
Default	**568**	**864**	**2 508**	**3 940**	**(881)**	**(6)**	**3 053**	**1 120**
Sub-standard	568	864	–	1 432	–	(6)	1 426	658
Doubtful	–	–	2 508	2 508	(881)	–	1 627	462
Total	**217 664**	**3 767**	**2 508**	**223 939**	**(881)**	**(283)**	**222 775**	**1 350**
At 31 March 2016								
Current core loans and advances	**211 807**	**–**	**–**	**211 807**	**–**	**(231)**	**211 576**	**–**
Past due (1 – 60 days)	**–**	**726**	**–**	**726**	**–**	**(3)**	**723**	**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**	**512**	**1 828**	**3 207**	**(681)**	**–**	**2 526**	**538**
Sub-standard	867	512	–	1 379	–	–	1 379	293
Doubtful	–	–	1 828	1 828	(681)	–	1 147	245
Total	**212 674**	**1 653**	**1 828**	**216 155**	**(681)**	**(235)**	**215 239**	**762**

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

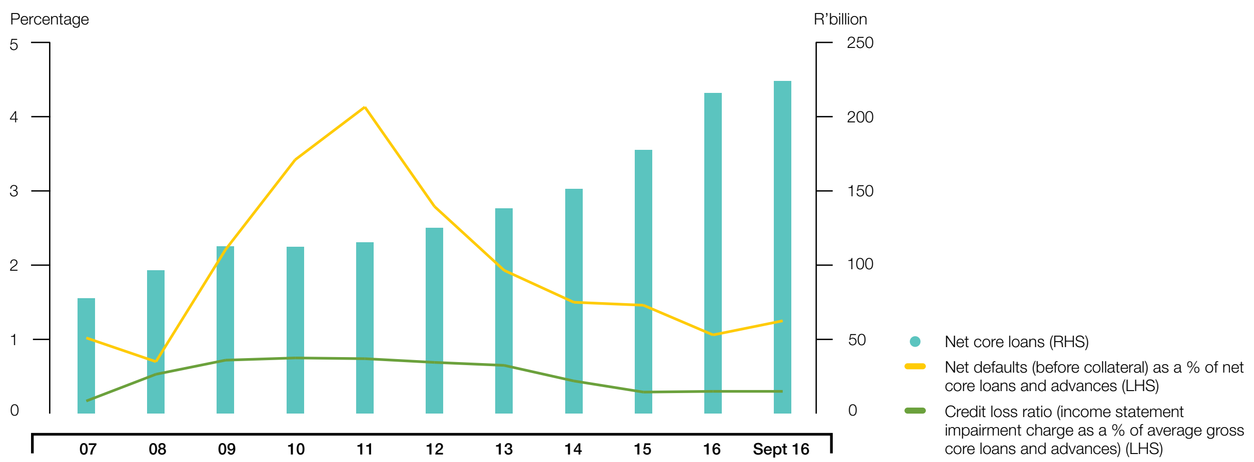
R'million	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2016						
Current core loans and advances	**145 022**	**49 394**	**13 551**	**5 759**	**3 370**	**217 096**
Past due (1 – 60 days)	**670**	**152**	**–**	**–**	**106**	**928**
Special mention	**295**	**66**	**–**	**–**	**1 614**	**1 975**
Special mention (1 – 90 days)	172	66	–	–	1 612	1 850
Special mention (61 – 90 days and item well secured)	123	–	–	–	2	125
Default	**2 794**	**810**	**–**	**139**	**197**	**3 940**
Sub-standard	1 158	274	–	–	–	1 432
Doubtful	1 636	536	–	139	197	2 508
Total gross core loans and advances to customers	**148 781**	**50 422**	**13 551**	**5 898**	**5 287**	**223 939**
Total impairments	**(669)**	**(280)**	**(15)**	**(61)**	**(139)**	**(1 164)**
Specific impairments	(439)	(243)	–	(60)	(139)	(881)
Portfolio impairments	(230)	(37)	(15)	(1)	–	(283)
Net core loans and advances to customers	**148 112**	**50 142**	**13 536**	**5 837**	**5 148**	**222 775**
At 31 March 2016						
Current core loans and advances	**139 227**	**49 350**	**11 925**	**6 363**	**4 942**	**211 807**
Past due (1 – 60 days)	**546**	**100**	**–**	**–**	**80**	**726**
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	**2 471**	**505**	**52**	**14**	**165**	**3 207**
Sub-standard	1 310	–	52	14	3	1 379
Doubtful	1 161	505	–	–	162	1 828
Total gross core loans and advances to customers	**142 646**	**49 955**	**11 977**	**6 377**	**5 200**	**216 155**
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	**142 151**	**49 685**	**11 973**	**6 373**	**5 057**	**215 239**

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**39 211**	**1 129**	**1 358**	**(267)**	**(87)**
Commercial real estate	**36 257**	**707**	**900**	**(228)**	**(86)**
Commercial real estate – investment	32 371	600	747	(186)	(92)
Commercial real estate – development	2 516	–	–	(11)	6
Commercial vacant land and planning	1 370	107	153	(31)	–
Residential real estate	**2 954**	**422**	**458**	**(39)**	**(1)**
Residential real estate – development	1 562	338	375	(12)	(2)
Residential vacant land and planning	1 392	84	83	(27)	1
High net worth and other private client lending	**109 570**	**1 665**	**2 313**	**(402)**	**(113)**
Mortgages	57 960	660	934	(102)	(20)
High net worth and specialised lending	51 610	1 005	1 379	(300)	(93)
Corporate and other lending	**75 158**	**1 146**	**926**	**(495)**	**(126)**
Acquisition finance	12 287	211	200	(44)	37
Asset-based lending	5 298	197	110	(139)	(22)
Fund Finance	4 078	–	–	(9)	(10)
Other corporate and financial institutions and governments	42 197	267	139	(98)	(71)
Asset finance	4 516	226	382	(15)	(11)
Small ticket asset finance	1 699	–	–	–	–
Large ticket asset finance	2 817	226	382	(15)	(11)
Project finance	6 342	–	–	(4)	1
Resource finance	440	245	95	(186)	(50)
Total	**223 939**	**3 940**	**4 597**	**(1 164)**	**(326)**

^ *Where a positive number represents a recovery.*

ASSET QUALITY TRENDS



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 enhance-ments 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 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	**101 569**	**1 500**	**2 167**	**(290)**	**(283)**
Mortgages	54 493	495	839	(80)	(45)
High net worth and specialised lending	47 076	1 005	1 328	(210)	(238)
Corporate other lending	**73 509**	**736**	**367**	**(421)**	**(160)**
Acquisition finance	14 664	329	286	(70)	(98)
Asset-based lending	5 211	165	56	(143)	(51)
Fund finance	3 668	–	–	(9)	(9)
Other corporate and financial institutions and governments	38 954	106	25	(51)	(10)
Asset finance	4 081	–	–	(12)	21
Small ticket asset finance	1 421	–	–	–	13
Large ticket asset finance	2 660	–	–	(12)	8
Project finance	6 424	–	–	–	123
Resource finance	507	136	–	(136)	(136)
Total	**216 155**	**3 207**	**3 690**	**(916)**	**(523)**

^ *Where a positive number represents a recovery.*

COLLATERAL

A summary of total collateral is provided in the table below

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 30 September 2016			
Eligible financial collateral	**44 713**	**20 620**	**65 333**
Listed shares	43 052	8 756	51 808
Cash	1 661	2	1 663
Debt securities issued by sovereigns	–	11 862	11 862
Property charge	**286 490**	**627**	**287 117**
Residential property	138 875	532	139 407
Commercial property developments	9 977	95	10 072
Commercial property investments	137 638	–	137 638
Other collateral	**58 034**	**78**	**58 112**
Unlisted shares	7 851	–	7 851
Charges other than property	12 874	–	12 874
Debtors, stock and other corporate assets	6 947	–	6 947
Guarantees	21 816	19	21 835
Other	8 546	59	8 605
Total collateral	**389 237**	**21 325**	**410 562**
At 31 March 2016			
Eligible financial collateral	**33 841**	**24 555**	**58 396**
Listed shares	32 862	7 905	40 767
Cash	979	22	1 001
Debt securities issued by sovereigns	–	16 628	16 628
Property charge	**281 274**	**587**	**281 861**
Residential property	141 202	482	141 684
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	**369 848**	**26 496**	**396 344**

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

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 is 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.

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

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

R'million	Income/(loss) (pre-funding costs)					
	Unrealised**	Realised**	Dividends	Other	Total	Fair value through equity
30 September 2016						
Unlisted investments	(283)	39	110	–	(134)	(2)
Listed equities	56	–	89	–	145	31
Investment and trading properties	(38)	11	–	–	(27)	–
Warrants, profit shares and other embedded derivatives	11	96	–	–	107	–
IEP*	–	–	–	169	169	–
Total	**(254)**	**146**	**199**	**169**	**260**	**29**
30 March 2016						
Unlisted investments	(2 699)	3 597	185	–	1 083	(2)
Listed equities	91	(2)	200	–	289	207
Investments and trading properties	(60)	75	–	–	15	–
Warrants, profit shares and other embedded derivatives	(56)	274	–	–	218	–
IEP	–	–	–	–	–	–
Total	**(2 724)**	**3 944**	**385**	**–**	**1 605**	**205**

* *As explained above.*

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

SUMMARY OF INVESTMENTS HELD AND STRESS TESTING ANALYSES

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

R'million	On-balance sheet value of investments 30 Sept 2016	Valuation change stress test 30 Sept 2016*	On-balance sheet value of investments 31 Mar 2016	Valuation change stress test 31 Mar 2016*
Unlisted investments^	3 657	549	2 803	420
Listed equities	3 913	978	3 557	889
Investment and trading properties	100	20	177	35
Warrants, profit shares and other embedded derivatives	250	87	237	83
Investment in associate (IEP)^^	5 279	792	5 063	760
Total	**13 199**	**2 426**	**11 837**	**2 187**

^ *Includes the investment portfolio and non-current assets classified as held for sale as per the balance sheet.*
^^ *As explained on page 8.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:*

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

CAPITAL REQUIREMENTS

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

Additional information

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

30 September 2016 (R7.8 billion)

43.8%	Finance and insurance
18.2%	Manufacturing and commerce
11.0%	Mining and resources
10.4%	Real estate
8.8%	Communication
7.8%	Other

31 March 2016 (R6.6 billion)

51.8%	Finance and insurance
9.6%	Manufacturing and commerce
13.1%	Mining and resources
11.2%	Real estate
2.4%	Communication
11.9%	Other

STRESS TESTING SUMMARY

Based on the information at 30 September 2016, as reflected on page 44, we could have a R2.4 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. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Securitisation/ structured credit activities exposures

OVERVIEW

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.

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.

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 R1 million at 30 September 2016 (31 March 2016: R15 million), has not been drawn on and is reflected as off-balance sheet contingent exposures in terms of our credit analysis.

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 South African RMBS, which totalled R1.7 billion at 30 September 2016. These investments are risk weighted for regulatory capital purposes.

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

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

Total assets that have been originated and securitised by the Private Client division amount to R8.3 billion at 30 September 2016 (31 March 2016: R8.0 billion) and consist of residential mortgages (R8.3 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R4.9 million.

Fox Street 1 (FS1) to Fox Street 5 (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 FS2 transaction, is treated as a deduction against capital. The capital treatment of CLF transactions is the same as if the homeloans were still on balance sheet. The group has no resecuritisation exposures in South Africa.

CREDIT ANALYSIS

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.

In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/ structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities.

Nature of exposure/activity	Exposure 30 Sept 2016 R'million	Exposure 31 Mar 2016 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	1 654	772	Other debt securities	
Rated	635	772		
Unrated	1 019	–		
Loans and advances to customers and third party intermediary platforms (mortgage loans) (with the potential to be securitised) (net exposure)	336	367	Other loans and advances	
Private Client division assets which have been securitised	8 323	7 967	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	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability on the bank	

*Analysis of rated and unrated structured credit

	30 September 2016			31 March 2016		
R'million	**Rated****	**Unrated**	**Total**	**Rated****	**Unrated**	**Total**
UK and European RMBS	531	–	531	646	–	646
Australian RMBS	104	–	104	126	–	126
South African RMBS	–	1 019	1 019	–	–	–
Total	**635**	**1 019**	**1 654**	**772**	**–**	**772**

**A further analysis of rated structured credit

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

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.

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.

In South Africa, 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 packs are submitted to the regulator on a monthly basis.

The table on page 48, 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.

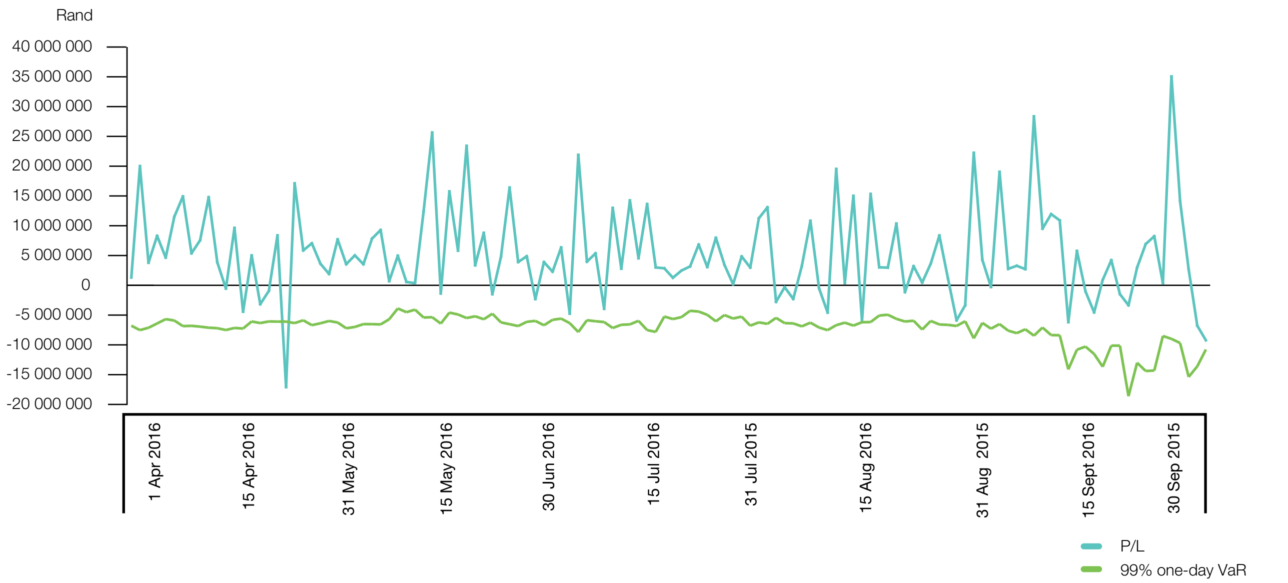
VaR

	30 September 2016				31 March 2016			
R'million	**Period end**	**Average**	**High**	**Low**	**Year end**	**Average**	**High**	**Low**
95% (one-day)								
Commodities	0.5	0.1	0.5	–	0.1	0.1	0.2	–
Equities	4.4	2.4	7.8	1.5	2.1	2.1	4.5	1.2
Foreign exchange	1.5	1.7	5.3	1.0	3.0	2.6	6.4	1.2
Interest rates	1.4	1.4	2.6	0.6	1.1	1.2	3.0	0.5
Consolidated*	**4.3**	**3.1**	**9.1**	**1.9**	**4.2**	**3.8**	**8.4**	**2.0**

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

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

99% ONE-DAY VaR BACKTESTING



ETL 95% (ONE-DAY)

R'million	30 Sept 2016	31 March 2016
Commodities	0.7	0.2
Equities	5.1	5.0
Foreign exchange	2.2	4.5
Interest rates	2.3	1.8
Consolidated*	**5.6**	**7.6**

* *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.

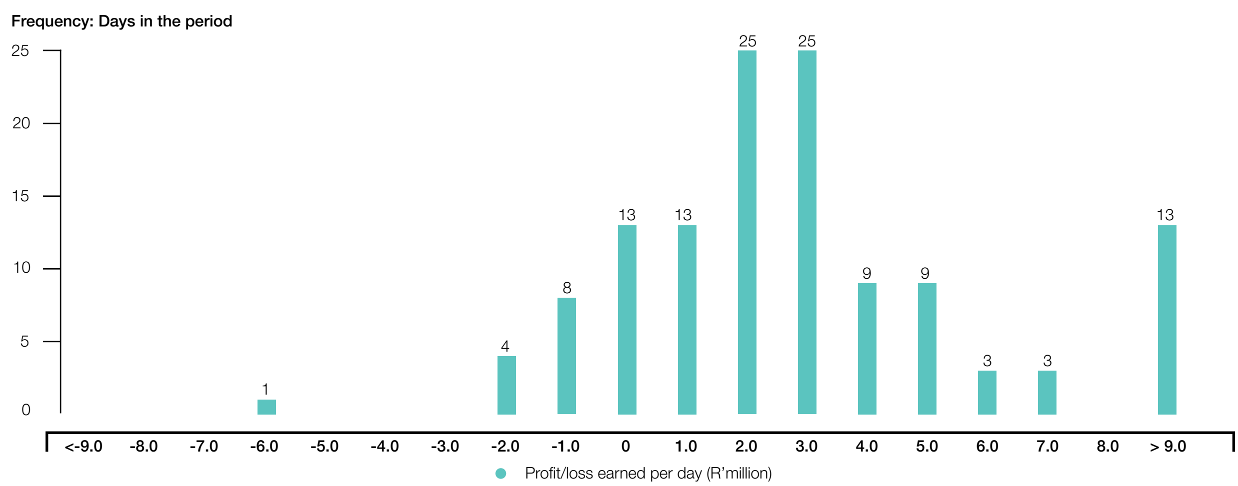
	30 September 2016				
R'million	Period end	Average	High	Low	31 March 2016 Year end
99% (using 99% EVT)					
Commodities	2.2	0.3	2.2	0.1	0.4
Equities	34.0	31.3	71.7	19.0	30.9
Foreign exchange	6.4	7.1	22.5	3.5	11.7
Interest rates	9.6	8.8	17.6	3.7	7.6
Consolidated**	**32.1**	**32.4**	**74.4**	**14.3**	**39.3**

** *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).*

PROFIT AND LOSS HISTOGRAMS

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

PROFIT AND LOSS



Balance sheet risk management

BALANCE SHEET RISK DESCRIPTION

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

LIQUIDITY RISK

Liquidity risk description

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

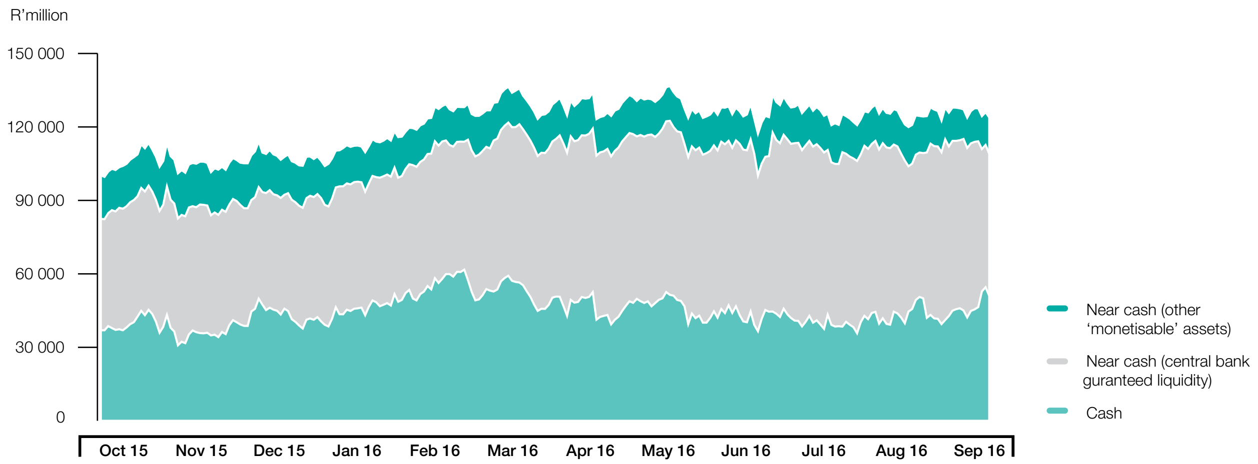
Liquidity risk is further broken down into:

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

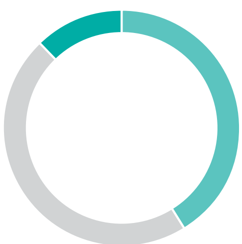
Sources of liquidity risk include:

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

CASH AND NEAR CASH TREND



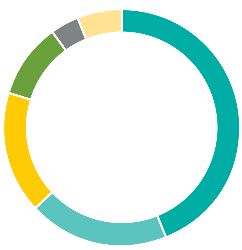
AN ANALYSIS OF CASH AND NEAR CASH AT 30 SEPTEMBER 2016



R123 878 million

41.2%	Cash
46.8%	Central Bank cash placements and guaranteed liquidity
12.0%	Near cash (other 'monetisable' assets)

BANK AND NON-BANK DEPOSITOR CONCENTRATION BY TYPE AT 30 SEPTEMBER 2016



R323 837 million

44.1%	Other financials
19.2%	Non-financial corporates
16.5%	Individuals
10.2%	Banks
4.1%	Public sector
5.9%	Small business

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R124 billion

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

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

Contractual liquidity at 30 September 2016

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	34 775	3 686	751	–	37	1 423	–	40 672
Cash and short-term funds – non-banks	9 952	5	219	42	–	–	–	10 218
Investment/trading assets and statutory liquids	47 548	15 760	6 845	1 351	1 932	19 702	31 017	124 155
Securitised assets	69	8	48	92	154	1 433	6 625	8 429
Advances	6 977	4 432	13 241	14 657	20 583	104 145	50 753	214 788
Other assets	5 521	459	214	1 126	137	–	5 689	13 146
Assets	**104 842**	**24 350**	**21 318**	**17 268**	**22 843**	**126 703**	**95 834**	**411 408**
Deposits – banks	(762)	(1 711)	(2 283)	(2 722)	(574)	(24 868)	(14)	(32 934)
Deposits – non-banks	(131 365)^	(24 269)	(47 445)	(26 723)	(29 573)	(28 888)	(2 640)	(290 903)
Negotiable paper	(15)	(7)	(22)	–	(4 566)	(808)	–	(5 418)
Securitised liabilities	–	–	–	–	–	–	(728)	(728)
Investment/trading liabilities	(499)	(790)	(3 543)	(6 160)	(2 701)	(15 960)	(494)	(30 147)
Subordinated liabilities	–	–	–	–	–	(758)	(11 649)	(12 407)
Other liabilities	–	(117)	(48)	(175)	(281)	(148)	(4 956)	(5 725)
Liabilities	**(132 641)**	**(26 894)**	**(53 341)**	**(35 780)**	**(37 695)**	**(71 430)**	**(20 481)**	**(378 262)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(33 146)**	**(33 146)**
Contractual liquidity gap	**(27 799)**	**(2 544)**	**(32 023)**	**(18 512)**	**(14 852)**	**55 273**	**40 457**	**–**
Cumulative liquidity gap	(27 799)	(30 343)	(62 366)	(80 878)	(95 730)	(40 457)	–	–

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

Behavioural liquidity

As discussed on page 51.

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	**64 593**	**3 588**	**7 413**	**(3 065)**	**(4 297)**	**(147 366)**	**79 134**	**–**
Cumulative	64 593	68 181	75 594	72 529	68 232	(79 134)	–	

NON-TRADING INTEREST RATE RISK DESCRIPTION

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

Sources of interest rate risk include:

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

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

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 30 September 2016. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	30 191	185	37	–	–	8 098	38 511
Cash and short-term funds – non-banks	10 171	42	–	–	–	5	10 218
Investment/trading assets and statutory liquids	39 872	24 050	9 027	7 064	5 572	17 050	102 635
Securitised assets	8 429	–	–	–	–	–	8 429
Advances	192 393	5 265	1 184	13 941	2 005	–	214 788
Other assets	3	–	–	–	–	4 081	4 084
Assets	**281 059**	**29 542**	**10 248**	**21 005**	**7 577**	**29 234**	**378 665**
Deposits – banks	(30 412)	(2 098)	(312)	(112)	–	–	(32 934)
Deposits – non-banks	(241 708)	(19 497)	(17 370)	(9 155)	(2 084)	(1 039)	(290 853)
Negotiable paper	(853)	–	(4 396)	(169)	–	–	(5 418)
Securitised liabilities	(728)	–	–	–	–	–	(728)
Investment/trading liabilities	(4 877)	(3 388)	–	(574)	–	–	(8 839)
Subordinated liabilities	(10 805)	(1 204)	–	(398)	–	–	(12 407)
Other liabilities	(183)	–	(6)	(19)	–	(4 058)	(4 266)
Liabilities	**(289 566)**	**(26 187)**	**(22 084)**	**(10 427)**	**(2 084)**	**(5 097)**	**(355 445)**
Intercompany loans	**7 755**	**5 362**	**3 711**	**(4 592)**	**(257)**	**1 888**	**13 867**
Shareholders' funds	**(1 121)**	**–**	**–**	**–**	**(386)**	**(31 639)**	**(33 146)**
Balance sheet	**(1 873)**	**8 717**	**(8 125)**	**5 986**	**4 850**	**(5 614)**	**3 941**
Off-balance sheet	**8 842**	**(10 260)**	**5 157**	**(3 388)**	**(4 479)**	**187**	**(3 941)**
Repricing gap	**6 969**	**(1 543)**	**(2 968)**	**2 598**	**371**	**(5 427)**	**–**
Cumulative repricing gap	6 969	5 426	2 458	5 056	5 427	–	–

Economic value sensitivity at 30 September 2016

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

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	**ZAR**	**GBP**	**USD**	**EUR**	**AUD**	**Other (ZAR)**	**All (ZAR)**
200bps down	199.2	4.3	2.7	–	3.3	(0.8)	**348.6**
200bps up	(132.7)	(3.9)	(6.5)	(0.1)	(1.2)	0.8	**(305.7)**

LIQUIDITY COVERAGE RATIO (LCR)

The objective of the Liquidity coverage ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting 30 calendar days.

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

The values in the table are calculated as the simple average of calendar daily values over the period 1 July 2016 to 30 September 2016 for Investec Bank Limited bank solo. All 62 business day observations were used. Investec Bank Limited consolidated group values use daily values for Investec Bank Limited bank solo, while those for other group entities use the average of July, August and September 2016 month-end values.

The minimum LCR requirement is 70% throughout 2016 and will increase by 10% each year to 100% on 1 January 2019. This applies to both Investec Bank Limited bank solo and Investec Bank Limited consolidated group. Based on a recent Bank of Mauritius proposal, Investec Bank Mauritius (IBM) bank solo will also be required to meet the LCR minimum requirement of 80% from the start of 2017.

Investec Bank Limited bank solo:

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

- The structure and nature of deposits inside the 30-day window is the key driver of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30-day contractual bucket. In turn these deposit characteristics determine the targeted level of HQLA required to be held as a counterbalance to the modelled stressed outflows
- In order to manage the deposit mix in relation to tenor and client type, we establish targets for deposits to be raised by market, channel, product, tenor band and client type designed to restrict the weighted outflows falling into the 30-day window.

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo
- On average, Level 2 assets made up 3% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 7% to total HQLA
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since June 2016 quarter year end:

The average LCR remains well surplus of regulatory requirements, decreasing by 4%, due to marginally higher growth in net cash outflows relative to HQLA.

Investec Bank Limited consolidated group:

Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R6 billion are primarily to non-financial corporates, while its average stressed inflows of R9 billion is largely from banks. IBM bank solo currently has no LCR requirement. There is no restriction on the contribution of IBM's cash inflows to the group. Consolidated group LCR is better than IBL solo's, mainly due to IBM'S surplus cash inflows.

At 30 September 2016 R'million	Investec Bank Limited Bank Solo Total unweighted value	Investec Bank Limited Bank Solo Total weighted value	Investec Bank Limited Consolidated Group Total unweighted value	Investec Bank Limited Consolidated Group Total weighted value
High-quality liquid assets				
Total high-quality liquid assets		**75 716**		**75 803**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	**54 444**	**5 444**	**57 333**	**5 733**
Stable deposits	–	–	–	–
Less stable deposits	54 444	5 444	57 333	5 733
Unsecured wholesale funding, of which:	**95 631**	**70 324**	**106 687**	**75 468**
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	–	–	–	–
Non-operational deposits (all counterparties)	94 938	69 631	105 890	74 671
Unsecured debt	693	693	797	797
Secured wholesale funding	–	462	–	462
Additional requirements, of which:	**55 874**	**7 728**	**58 424**	**7 977**
Outflows related to derivatives exposures and other collateral requirements	12 314	2 926	12 314	2 926
Outflows related to loss of funding on debt products	679	679	679	679
(Undrawn committed) credit and liquidity facilities	42 881	4 123	45 431	4 372
Other contractual funding obligations	380	380	451	451
Other contingent funding obligations	127 334	6 336	127 470	6 336
Total cash outflows		**90 675**		**96 113**
Cash inflows				
Secured lending (e.g. reverse repos)	12 441	7 809	12 441	7 809
Inflows from fully performing exposures	28 086	25 007	38 966	35 491
Other cash inflows	4 287	3 006	4 369	3 088
Total cash inflows	**44 814**	**35 822**	**55 776**	**46 388**

		Bank Solo Total adjusted value		Consolidated Group Total adjusted value
Total high-quality liquid assets		75 716		75 803
Total net cash outflows		54 853		49 725
Liquidity coverage ratio (%)		**138.4**		**153.1**

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

R'million	30 Sept 2016	31 March 2016
Tier 1 capital		
Shareholders' equity	31 612	30 331
Shareholders' equity per balance sheet	33 146	31 865
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	1 466	1 839
Cash flow hedging reserve	1 466	1 839
Deductions	(692)	(695)
Goodwill and intangible assets net of deferred tax	(692)	(695)
Common equity tier 1 capital	**32 386**	**31 475**
Additional tier 1 capital	**920**	**920**
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(614)	(614)
Tier 1 capital	**33 306**	**32 395**
Tier 2 capital	**12 522**	**10 726**
Collective impairments allowances	278	229
Tier 2 instruments	12 407	10 732
Phase out of non-qualifying tier 2 instruments	(163)	(235)
Total regulatory capital	**45 828**	**43 121**
Risk-weighted assets	**307 062**	**295 752**
Capital ratios		
Common equity tier 1 ratio	10.5%	10.6%
Tier 1 ratio	10.8%	11.0%
Total capital adequacy ratio	14.9%	14.6%
Leverage ratio	7.6%	7.3%

CAPITAL REQUIREMENTS

R'million	30 Sept 2016	31 March 2016
Capital requirements	**31 858**	**30 684**
Credit risk – prescribed standardised exposure classes	24 369	23 603
Corporates	12 704	13 278
Secured on real estate property	2 744	2 943
Short-term claims on institutions and corporates	6 119	4 876
Retail	530	483
Institutions	537	813
Other exposure classes	1 517	806
Securitisation exposures	218	404
Equity risk	4 421	4 005
Listed equities	369	305
Unlisted equities	4 052	3 700
Counterparty credit risk	472	569
Credit valuation adjustment risk	198	185
Market risk	443	475
Interest rate	86	66
Foreign exchange	116	212
Commodities	4	4
Equities	237	193
Operational risk – standardised approach	1 955	1 847
Risk-weighted assets	**307 062**	**295 752**
Credit risk – prescribed standardised exposure classes	234 883	227 504
Corporates	122 448	127 985
Secured on real estate property	26 450	28 361
Short-term claims on institutions and corporates	58 978	47 001
Retail	5 108	4 660
Institutions	5 172	7 838
Other exposure classes	14 624	7 766
Securitisation exposures	2 103	3 893
Equity risk	42 609	38 603
Listed equities	3 556	2 937
Unlisted equities	39 053	35 666
Counterparty credit risk	4 548	5 486
Credit valuation adjustment risk	1 912	1 783
Market risk	4 269	4 578
Interest rate	831	636
Foreign Exchange	1 117	2 039
Commodities	35	46
Equities	2 286	1 857
Operational risk – standardised approach	18 841	17 798

MOVEMENT IN TOTAL REGULATORY CAPITAL

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

Total regulatory capital flow statement

R'million	30 Sept 2016	31 March 2016
Opening common equity tier 1 capital	**31 475**	**28 315**
Dividends	(965)	(120)
Profit after taxation	1 611	3 475
Movement in other comprehensive income	635	(389)
Goodwill and intangible assets (deduction net of related tax liability)	3	(505)
Other, including regulatory adjustments and transitional arrangements	(373)	699
Closing common equity tier 1 capital	**32 386**	**31 475**
Opening additional tier 1 capital	920	1 073
Other, including regulatory adjustments and transitional arrangements	–	(153)
Closing additional tier 1 capital	**920**	**920**
Closing tier 1 capital	**33 306**	**32 395**
Opening tier 2 capital	**10 726**	**10 319**
New tier 2 capital issues	1 682	1 360
Redeemed capital	(184)	(1 283)
Collective impairment allowances	48	60
Other, including regulatory adjustments and transitional arrangements	250	270
Closing tier 2 capital	**12 522**	**10 726**
Closing total regulatory capital	**45 828**	**43 121**

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

	30 Sept 2016	31 Mar 2016
Common equity tier 1 (as reported)	10.5%	10.6%
Common equity tier 1 ("fully loaded")^^	10.5%	10.6%
Tier 1 (as reported)	10.8%	11.0%
Total capital adequacy ratio (as reported)	14.9%	14.6%
Leverage ratio** – permanent capital	7.7%#	7.5%#
Leverage ratio** – current	7.6%#	7.3%#
Leverage ratio** – ("fully loaded")^^	7.4%#	7.1%#

^^ *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.*

** *The leverage ratios are calculated on an end-quarter basis.*

Based on revised BIS rules.

SUMMARY COMPARISON OF ACCOUNTING ASSETS VERSUS LEVERAGE RATIO EXPOSURE MEASURE

Line #	R'million	30 Sept 2016	31 March 2016
1	Total consolidated assets as per published financial statements	411 408	405 629
	Adjustments for:		
2	Investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
4	Derivative financial instruments	(2 687)	(2 973)
5	Securities financing transactions (i.e. repos and similar secured lending)	(3 587)	389
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	34 322	38 519
7	Other adjustments	(691)	(693)
8	**Leverage ratio exposure**	**438 765**	**440 871**

LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Line #	R'million	30 Sept 2016	31 March 2016
	Leverage ratio framework		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	369 707	350 873
2	Asset amounts deducted in determining Basel III tier 1 capital	(1 878)	(693)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**367 829**	**350 180**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7 259	9 673
5	Add-on amounts for PFE associated with all derivatives transactions	2 775	3 197
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Exempted CCP leg of client-cleared trade exposures	(900)	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	–	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**9 134**	**12 870**
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	26 090	34 936
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	Counterparty Credit Risk (CCR) exposures for SFT assets	1 391	4 366
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum line 12 to 15)**	**27 481**	**39 302**
17	Off-balance sheet exposure at gross notional amount	84 693	90 589
18	Adjustments for conversion to credit equivalent amounts	(50 372)	(52 070)
19	**Off-balance sheet items (sum line 17 and 18)**	**34 321**	**38 519**
20	Tier 1 capital	33 306	32 395
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**438 765**	**440 871**
22	**Basel III leverage ratio**	**7.6%**	**7.3%**

Investec Bank Limited

A subsidiary of Investec Limited

FANI TITI (54)

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

DAVID M LAWRENCE (65)

Deputy chairman
BA (Econ) (Hons), MCom

SAMUEL E ABRAHAMS (77)

FCA, CA(SA)

ZARINA BM BASSA (52)

BAcc, DipAcc, CA(SA)

GLYNN R BURGER (59)

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

DAVID FRIEDLAND (63)

BCom, CA(SA)

BERNARD KANTOR (66)

CTA

STEPHEN KOSEFF (64)

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

KHUMO L SHUENYANE (45)

BEcon, CA(England & Wales)

NISHLAN SAMUJH (42)

CA(SA)

BRADLEY TAPNACK (69)

BCom, CA(SA)

PETER RS THOMAS (71)

CA(SA)

RICHARD J WAINWRIGHT (53)

Chief executive officer
BCom, CTA, CA(SA)

Four

Annexures
(unaudited)

Annexure 1 Dividend announcement

INVESTEC BANK LIMITED

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

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")
Declaration of dividend number 27

Notice is hereby given that preference dividend number 27 has been declared by the Board from income reserves for the period 1 April 2016 to 30 September 2016 amounting to a gross preference dividend of 438.68108 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 02 December 2016.

The relevant dates for the payment of dividend number 27 are as follows:

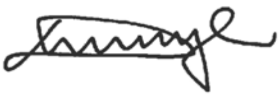
Last day to trade cum-dividend	Tuesday, 29 November 2016
Shares commence trading ex-dividend	Wednesday, 30 November 2016
Record date	Friday, 02 December 2016
Payment date	Monday, 12 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 02 December 2016, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares in this specific class
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- The net dividend amounts to 372.87892 cents per preference share for shareholders liable to pay the Dividend Tax and 438.68108 cents per preference share for preference shareholders exempt from paying the dividend tax.

By order of the board



N van Wyk
Company Secretary

16 November 2016

Operating costs
For the six months to 30 September

R'million	2016	2015
Staff costs	2 084	2 055
Premises expenses (excluding depreciation)	209	188
Equipment expenses (excluding depreciation)	97	111
Business expenses	222	196
Marketing expenses	203	183
Depreciation, amortisation and impairment of property, equipment and intangibles	79	78
	2 894	**2 811**

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

R'million	30 Sept 2016	31 March 2016
Assets		
Reverse repurchase agreements	26 124	33 444
Cash collateral on securities borrowed	4 944	5 468
	31 068	**38 912**
Liabilities		
Repurchase agreements	16 721	16 916
	16 721	**16 916**

Extract of other debt securities

R'million	30 Sept 2016	31 March 2016
Bonds	8 039	11 150
Commercial paper	78	84
Floating rate notes	1 327	1 103
Liquid asset	298	298
Asset-based securities	1 019	–
Other investments	635	126
	11 396	**12 761**

Extract of securities arising from trading activities

R'million	30 Sept 2016	31 March 2016
Bonds	677	595
Listed equities	147	397
	824	**992**

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

R'million	30 Sept 2016	31 March 2016
Gross loans and advances to customers	215 610	208 182
Impairments of loans and advances to customers	(1 158)	(910)
Specific impairments	(880)	(680)
Portfolio impairments	(278)	(230)
Net loans and advances to customers	**214 452**	**207 272**
Gross other loans and advances to customers	365	398
Impairments of other loans and advances to customers	(29)	(31)
Specific impairments	(6)	(11)
Portfolio impairments	(23)	(20)
Net other loans and advances to customers	**336**	**367**

Extract of securitised assets and liabilities arising on securitisation R'million	30 Sept 2016	31 March 2016
Gross own originated loans and advances to customers securitised	8 329	7 973
Impairments of own originated loans and advances to customers securitised	(6)	(6)
Specific impairments	(1)	(1)
Portfolio impairments	(5)	(5)
Net own originated loans and advances to customers securitised	**8 323**	**7 967**
Total other securitised assets	**106**	**115**

Other assets R'million	30 Sept 2016	31 March 2016
Settlement debtors	758	521
Trading properties	99	176
Prepayments and accruals	792	316
Trading initial margins	462	324
Investec Import Solutions debtors	1 607	1 456
Fee debtors	15	17
Other	618	846
	4 351	**3 656**

Debt securities in issue R'million	30 Sept 2016	31 March 2016
Repayable in:		
Less than three months	163	2 267
Three months to one year	4 442	170
One to five years	813	5 228
	5 418	**7 665**

Other liabilities R'million	30 Sept 2016	31 March 2016
Settlement liabilities	810	1 021
Other creditors and accruals	2 471	2 730
Other non-interest-bearing liabilities	1 593	1 291
	4 874	**5 042**

Extract of perpetual preference share capital R'million	30 Sept 2016	31 March 2016
Perpetual preference share capital	*	*
Perpetual preference share premium	1 534	1 534
	1 534	**1 534**

** Less than R1 million.*

Extract of deferred taxation R'million	30 Sept 2016	31 March 2016
Losses carried forward	1	1
	1	**1**

Extract of subordinated liabilities R'million	30 Sept 2016	31 March 2016
Issued by Investec Bank Limited	12 406	10 732
Remaining maturities:		
In one year or less, or on demand	3 638	–
In more than one year, but not more than two years	400	–
In more than two years, but not more than five years	2 250	400
In more than five years	6 118	10 332
	12 406	**10 732**

Offsetting

At 30 September 2016	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
Assets					
Cash and balances at central banks	8 101	–	8 101	–	8 101
Loans and advances to banks	40 803	(8 232)	32 571	–	32 571
Non-sovereign and non-bank cash placements	10 218	–	10 218	–	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	31 068	–	31 068	–	31 068
Sovereign debt securities	47 800	–	47 800	(1 376)	46 424
Bank debt securities	8 294	–	8 294	(2 928)	5 366
Other debt securities	11 396	–	11 396	(4 529)	6 867
Derivative financial instruments	16 089	(4 268)	11 821	(4 228)	7 593
Securities arising from trading activities	824	–	824	(56)	768
Investment portfolio	7 073	–	7 073	–	7 073
Loans and advances to customers	216 367	(1 915)	214 452	–	214 452
Own originated loans and advances to customers securitised	8 323	–	8 323	–	8 323
Other loans and advances	336	–	336	–	336
Other securitised assets	106	–	106	–	106
Other assets	4 351	–	4 351	–	4 351
	411 149	**(14 415)**	**396 734**	**(13 117)**	**383 617**
Liabilities					
Deposits by banks	34 252	(1 318)	32 934	–	32 934
Derivative financial instruments	23 079	(11 182)	11 897	(4 228)	7 669
Other trading liabilities	1 529	–	1 529	–	1 529
Repurchase agreements and cash collateral on securities lent	16 721	–	16 721	(8 889)	7 832
Customer accounts (deposits)	292 818	(1 915)	290 903	–	290 903
Debt securities in issue	5 418	–	5 418	–	5 418
Liabilities arising on securitisation of own originated loans and advances	728	–	728	–	728
Other liabilities	4 874	–	4 874	–	4 874
Subordinated liabilities	12 407	–	12 407	–	12 407
	391 826	**(14 415)**	**377 411**	**(13 117)**	**364 294**

(continued)

At 31 March 2016	Amounts subject to enforceable netting arrangements – Effects of offsetting on balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Net amount
Assets					
Cash and balances at central banks	7 801	–	7 801	–	7 801
Loans and advances to banks	40 148	(13 369)	26 779	–	26 779
Non-sovereign and non-bank cash placements	9 858	–	9 858	–	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	38 912	–	38 912	–	38 912
Sovereign debt securities	41 325	–	41 325	–	41 325
Bank debt securities	13 968	–	13 968	(6 947)	7 021
Other debt securities	12 761	–	12 761	(9 178)	3 583
Derivative financial instruments	19 647	(3 804)	15 843	(7 540)	8 303
Securities arising from trading activities	992	–	992	(49)	943
Investment portfolio	6 360	–	6 360	–	6 360
Loans and advances to customers	208 679	(1 407)	207 272	–	207 272
Own originated loans and advances to customers securitised	7 967	–	7 967	–	7 967
Other loans and advances	367	–	367	–	367
Other securitised assets	115	–	115	–	115
Other assets	3 656	–	3 656	–	3 656
	412 556	**(18 580)**	**393 976**	**(23 714)**	**370 262**
Liabilities					
Deposits by banks	38 780	(1 538)	37 242	–	37 242
Derivative financial instruments	29 059	(15 635)	13 424	(7 540)	5 884
Other trading liabilities	1 405	–	1 405	–	1 405
Repurchase agreements and cash collateral on securities lent	16 916	–	16 916	(15 325)	1 591
Customer accounts (deposits)	281 143	(1 407)	279 736	–	279 736
Debt securities in issue	7 665	–	7 665	–	7 665
Liabilities arising on securitisation of own originated loans and advances	809	–	809	–	809
Other liabilities	5 042	–	5 042	–	5 042
Subordinated liabilities	10 732	–	10 732	–	10 732
	391 551	**(18 580)**	**372 971**	**(22 865)**	**350 106**

Notes