Investec Bank Limited

2017

Salient financial information
for the six months ended
30 September 2017

Out of the Ordinary®

Investec

Corporate information

Secretary and registered office

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Facsimile (+27 11) 286 7966

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
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
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
Bradley Tapnack
Nishlan A Samujh

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

For queries regarding information in this document

Investor Relations

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www.investec.com/en_za/#home/investor_relations.html

Cross reference tools

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Audited information

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

2

Page references

Refers readers to information elsewhere in this report

3

Website

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

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Sustainability

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

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Reporting standard

Denotes our consideration of a reporting standard

Contents

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Overview of the period
(unaudited)

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

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

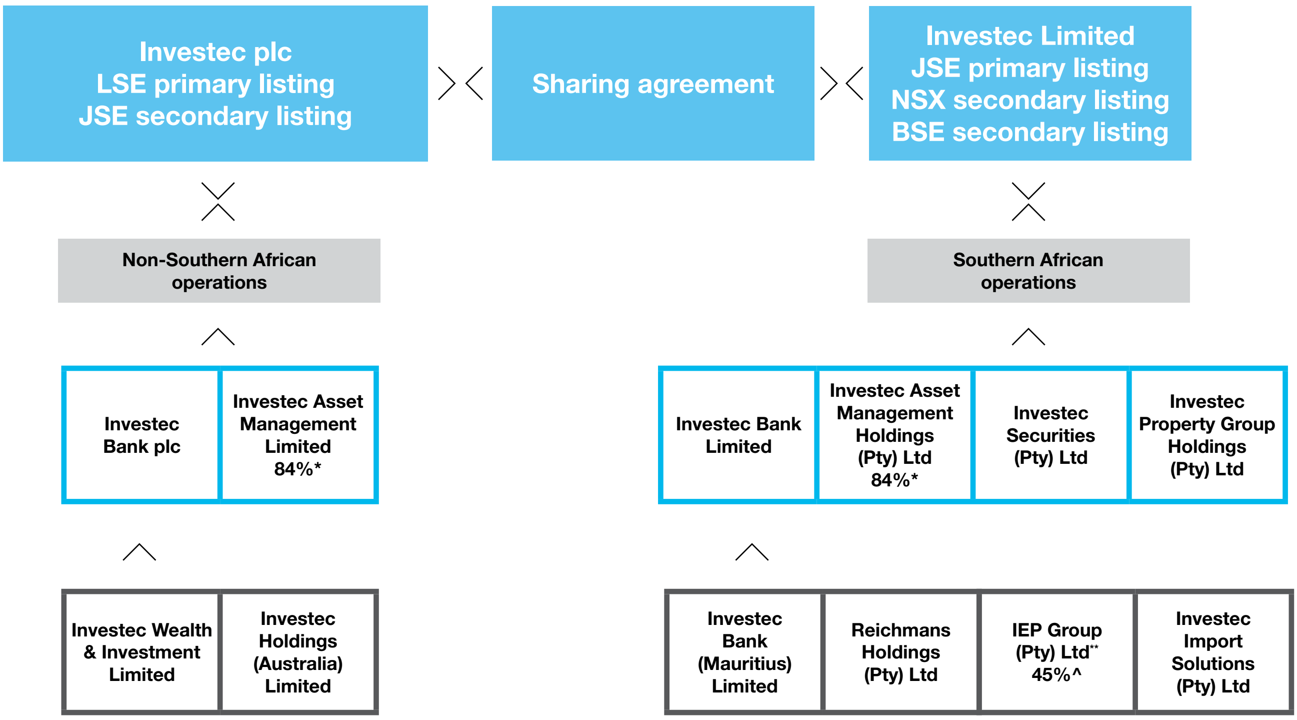
Operating structure

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

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

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange. 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 2017



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

* *16% held by senior management in the company.*
** *Previously Investec Equity Partners (Pty) Ltd.*
^ *55% held by third party investors in the company together with senior management of the business.*

Salient features of the DLC structure

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

Overview of the activities of Investec Bank Limited

Specialist Banking

The bank operates as a specialist bank within Southern Africa focusing on three key areas of activity: Investment activities, Corporate and Institutional Banking activities and Private Banking activities.

Each business provides specialised products and services to defined target markets.

A highly valued partner and adviser to our clients	**Focus on helping our clients create and preserve wealth**
Corporates/government/institutional clients	**High-income and high net worth private 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 the IEP Group (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

Our Corporate and Institutional Banking division 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.

Private Banking activities

Transactional banking and foreign exchange
Lending
Deposits
Investments

Our Private Banking division 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.

Natural linkages between the private client and corporate business

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 Investment, Corporate and Institutional Banking and Private Banking activities.

Our value proposition

- High-quality specialist banking solutions to corporate and private clients with leading positions in selected areas
- Provide high touch personalised service – supported by high tech and 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
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

Where we operate

South Africa

Strong brand and positioning

Fifth largest bank

Leading position in corporate institutional and private client banking activities

Mauritius

Established 1997

Focus on corporate institutional and private client banking activities

Highlights

Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 47.8% to R2 196 million (2016: R1 486 million).

The balance sheet remains sound with a capital adequacy ratio of 15.3% (31 March 2017: 15.4%).

	30 Sept 2017	30 Sept 2016	% change	31 March 2017
Total operating income before impairment losses on loans and advances (R'million)	5 965	5 204	14.6%	10 754
Operating costs (R'million)	3 121	2 894	7.8%	5 887
Profit before taxation (R'million)	2 445	1 962	24.6%	4 159
Headline earnings attributable to ordinary shareholders (R'million)	2 196	1 486	47.8%	3 069
Cost to income ratio	52.3%	55.6%		54.7%
Total capital resources (including subordinated liabilities) (R'million)	50 347	45 553	10.5%	48 345
Total shareholders equity (R'million)	36 823	33 146	11.1%	35 165
Total assets (R'million)	427 576	417 736	2.4%	425 687
Net core loans and advances (R'million)	248 324	222 775	11.5%	233 445
Customer accounts (deposits) (R'million)	309 996	290 903	6.6%	303 397
Cash and near cash balances (R'million)	102 620	123 878	(17.2%)	117 586
Capital adequacy ratio	15.3%	14.9%		15.4%
Tier 1 ratio	10.9%	10.8%		11.1%
Common equity tier 1 ratio	10.7%	10.5%		10.8%
Leverage ratio	7.8%	7.6%		7.6%
Defaults (net of impairments) as a % of net core loans and advances	0.74%	1.25%		1.03%
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.31%	0.30%		0.29%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.2x	12.2x		11.6x
Loans and advances to customers: customer accounts (deposits)	77.8%	73.7%		74.4%

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2016.

Salient operational features for the period under review include:

Total operating income before impairment losses on loans and advances increased by 14.6% to R5 965 million (2016: R5 204 million). The components of operating income are analysed further below:

- Net interest income decreased 2.6% to R3 663 million (2016: R3 759 million) negatively impacted by additional subordinated debt issuance and an increase in the cost of foreign liabilities following the sovereign rating downgrade. Lending activity levels remained sound with core loans growing 6.5% since 31 March 2017.
- Net fee and commission income increased 21.3% to R1 084 million (2016: R894 million) supported by continued growth in the Private Banking client base as well as a good performance from the corporate treasury and corporate advisory businesses.
- Investment income increased significantly to R597 million (2016: R170 million) supported by a strong performance from the investment portfolio.
- Share of post taxation operating profit of associates of R382 million (2016: R172 million) primarily reflects earnings in relation to the group's investment in the IEP Group.
- Total trading income increased 14.4% amounting to R238 million (2016: R208 million).

Impairments on loans and advances increased from R322 million to R373 million, with the credit loss ratio on average core loans and advances amounting to 0.31% (2016: 0.30%), 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 0.74% (31 March 2017: 1.03%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 2.19 times (31 March 2017: 1.66 times).

The ratio of total operating costs to total operating income improved to 52.3% (2016: 55.6%). Total operating expenses at R3 121 million were 7.8% higher than the prior period (2016: R2 894 million) reflecting higher headcount costs across the business to support increased activity and growth initiatives.

As a result of the foregoing factors profit before taxation and acquired intangibles increased by 24.3% to R2 471 million (2016: R1 988 million). Profit after taxation increased by 43.3% to R2 309 million (2016: R1 611 million) impacted by a lower tax rate following the release of provisions no longer required.

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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 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statements of changes in equity and the condensed 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 15 November 2017 and are signed on its behalf by

Fani Titi
Chairman

Richard Wainwright
Chief executive officer

Independent auditors' review report on the condensed consolidated interim financial statements

To the shareholder 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 as at 30 September 2017, 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 26.

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 the 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 2017 are not prepared, in all material respects, in accordance with the 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

15 November 2017

102 Rivonia Road
Private Bag X14
Sandton
2146
South Africa

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Peter MacDonald
Chartered Accountant (SA)
Registered Auditor
Director

15 November 2017

KPMG Crescent
85 Empire Road
Parktown
2193
South Africa

Consolidated income statement

R'million	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Interest income	15 619	14 973	29 716
Interest expense	(11 956)	(11 214)	(22 297)
Net interest income	**3 663**	**3 759**	**7 419**
Fee and commission income	1 216	1 023	2 235
Fee and commission expense	(132)	(129)	(236)
Investment income	597	170	472
Share of post taxation operating profit of associates	382	172	306
Trading income arising from			
– customer flow	196	167	486
– balance sheet management and other trading liabilities	42	41	70
Other operating income	1	1	2
Total operating income before impairment losses on loans and advances	**5 965**	**5 204**	**10 754**
Impairment losses on loans and advances	(373)	(322)	(657)
Operating income	**5 592**	**4 882**	**10 097**
Operating costs	(3 121)	(2 894)	(5 887)
Operating profit before acquired intangibles	**2 471**	**1 988**	**4 210**
Amortisation of acquired intangibles	(26)	(26)	(51)
Profit before taxation	**2 445**	**1 962**	**4 159**
Taxation on operating profit before acquired intangibles	(143)	(358)	(944)
Taxation on acquired intangibles	7	7	14
Profit after taxation	**2 309**	**1 611**	**3 229**

Consolidated statement of comprehensive income

R'million	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Profit after taxation	2 309	1 611	3 229
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*	(36)	373	943
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	113	661	701
Gain on realisation of available-for-sale assets recycled through the income statement*	(46)	(60)	(61)
Foreign currency adjustments on translating foreign operations	39	(339)	(479)
Total comprehensive income	**2 379**	**2 246**	**4 333**
Total comprehensive income attributable to ordinary shareholders	2 312	2 181	4 202
Total comprehensive income attributable to perpetual preference shareholders	67	65	131
Total comprehensive income	**2 379**	**2 246**	**4 333**

* *Net of taxation of R12.2 million [Six months to 30 September 2016: (R167.3 million); year to 31 March 2017: (R381.8 million)].*

Consolidated balance sheet

At R'million	30 Sept 2017	31 March 2017	30 Sept 2016
Assets			
Cash and balances at central banks	9 200	8 353	8 101
Loans and advances to banks	18 723	31 937	32 571
Non-sovereign and non-bank cash placements	10 399	8 993	10 218
Reverse repurchase agreements and cash collateral on securities borrowed	17 933	26 627	31 068
Sovereign debt securities	50 722	47 822	47 800
Bank debt securities	8 156	7 758	8 294
Other debt securities	12 056	11 945	11 396
Derivative financial instruments	11 244	9 856	11 821
Securities arising from trading activities	1 463	653	824
Investment portfolio	8 414	7 204	7 073
Loans and advances to customers	241 093	225 669	214 452
Own originated loans and advances to customers securitised	7 231	7 776	8 323
Other loans and advances	291	310	336
Other securitised assets	274	100	106
Interests in associated undertakings	5 898	5 514	5 382
Deferred taxation assets	292	388	118
Other assets	6 817	5 266	4 351
Property and equipment	289	274	236
Investment properties	1	1	1
Goodwill	171	171	171
Intangible assets	460	508	521
Loans to group companies	16 449	18 106	14 076*
Non-current assets held for sale	–	456	497
	427 576	**425 687**	**417 736**
Liabilities			
Deposits by banks	25 181	32 378	32 934
Derivative financial instruments	13 457	12 556	11 897
Other trading liabilities	1 708	1 667	1 529
Repurchase agreements and cash collateral on securities lent	9 906	7 825	16 721
Customer accounts (deposits)	309 996	303 397	290 903
Debt securities in issue	2 770	5 823	5 418
Liabilities arising on securitisation of own originated loans and advances	1 652	673	728
Current taxation liabilities	577	977	692
Deferred taxation liabilities	104	109	159
Other liabilities	5 725	5 995	4 874
Loans from group companies	6 153	5 942	6 328*
	377 229	**377 342**	**372 183**
Subordinated liabilities	13 524	13 180	12 407
	390 753	**390 522**	**384 590**
Equity			
Ordinary share capital	32	32	32
Share premium	14 885	14 885	14 885
Other reserves	1 713	1 662	1 128
Retained income	20 193	18 586	17 101
Total equity	**36 823**	**35 165**	**33 146**
Total liabilities and equity	**427 576**	**425 687**	**417 736**

* *Restated. Refer to restatements note on page 69.*

Condensed consolidated cash flow statement

R'million	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Cash flows from operations	2 064	1 862	4 210
Increase in operating assets	(2 807)	(3 956)	(10 324)
Increase in operating liabilities	241	3 990	9 335
Net cash (outflow)/inflow from operating activities	(502)	1 896	3 221
Net cash outflow from investing activities	(86)	(102)	(244)
Net cash (outflow)/inflow from financing activities*	(429)	717	1 320
Effects of exchange rate changes on cash and cash equivalents	10	(501)	(756)
Net (decrease)/increase in cash and cash equivalents	(1 007)	2 010	3 541
Cash and cash equivalents at the beginning of the year	30 024	26 483	26 483
Cash and cash equivalents at the end of the year	**29 017**	**28 493**	**30 024**

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).

*The net cash (outflow)/inflow from financing activities is detailed as follows:

R'million	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Net inflow of subordinated liabilities	292	1 682	2 351
Dividends paid	(721)	(965)	(1 031)
Net cash (outflow)/inflow financing activities	**(429)**	**717**	**1 320**

Consolidated statement of changes in equity

R'million	Ordinary share capital	Share premium
At 1 April 2016	**32**	**14 885**
Movement in reserves 1 April 2016 – 30 September 2016		
Profit after taxation	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Gain on realisation of available-for-sale assets recycled through the income statement	–	–
Foreign currency adjustments on translating foreign operations	–	–
Total comprehensive income for the period	**–**	**–**
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
Transfer from regulatory general risk reserve to retained income	–	–
At 30 September 2016	**32**	**14 885**
Movement in reserves 1 October 2016 – 31 March 2017		
Profit after taxation	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Gain on realisation of available-for-sale assets recycled through the income statement	–	–
Foreign currency adjustments on translating foreign operations	–	–
Total comprehensive income for the period	**–**	**–**
Dividends paid to perpetual preference shareholders	–	–
Other equity movements	–	–
At 31 March 2017	**32**	**14 885**
Movement in reserves 1 April 2017 – 30 September 2017		
Profit after taxation	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Gain on realisation of available-for-sale assets recycled through the income statement	–	–
Foreign currency adjustments on translating foreign operations	–	–
Total comprehensive income for the period	**–**	**–**
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
Transfer from regulatory general risk reserve to retained income	–	–
At 30 September 2017	**32**	**14 885**

Consolidated statement of changes in equity

(continued)

Other reserves					
Available-for-sale reserve	**Regulatory general risk reserve**	**Cash flow hedge reserve**	**Foreign currency reserve**	**Retained income**	**Total equity**
(512)	**673**	**(1 839)**	**2 244**	**16 382**	**31 865**
–	–	–	–	1 611	1 611
–	–	373	–	–	373
661	–	–	–	–	661
(60)	–	–	–	–	(60)
–	–	–	(339)	–	(339)
601	**–**	**373**	**(339)**	**1 611**	**2 246**
–	–	–	–	(900)	(900)
–	–	–	–	(65)	(65)
–	(73)	–	–	73	–
89	**600**	**(1 466)**	**1 905**	**17 101**	**33 146**
–	–	–	–	1 618	1 618
–	–	570	–	–	570
40	–	–	–	–	40
(1)	–	–	–	–	(1)
–	–	–	(140)	–	(140)
39	**–**	**570**	**(140)**	**1 618**	**2 087**
–	–	–	–	(66)	(66)
–	65	–	–	(67)	(2)
128	**665**	**(896)**	**1 765**	**18 586**	**35 165**
–	–	–	–	2 309	2 309
–	–	(36)	–	–	(36)
113	–	–	–	–	113
(46)	–	–	–	–	(46)
–	–	–	39	–	39
67	**–**	**(36)**	**39**	**2 309**	**2 379**
–	–	–	–	(654)	(654)
–	–	–	–	(67)	(67)
–	(19)	–	–	19	–
195	**646**	**(932)**	**1 804**	**20 193**	**36 823**

Accounting policies and disclosures

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard, IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the Companies Act of South Africa.

The accounting policies applied in the preparation of the interim condensed consolidated interim financial statements for the six months ended 30 September 2017 are consistent with those adopted in the financial statements for the year ended 31 March 2017.

Standards and interpretations issued but not yet effective

The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group.

IFRS 9 Financial Instruments

The group will adopt IFRS 9 Financial Instruments on 1 April 2018.

The group expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged on application of IFRS 9, based on the analysis performed to date.

The impairment requirements will lead to significant changes in the accounting treatment for certain financial instruments as a result of a shift from an incurred loss to an expected loss impairment methodology. Credit risk methodologies have been defined and model build has significantly been completed. Approval, testing and validation of the models is ongoing.

IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The group intends to continue applying IAS 39's hedge accounting.

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group does not intend to restate comparatives.

The regulatory capital impact of IFRS 9 has been proposed by regulatory bodies with transitional capital arrangements being announced for 1 January 2018 which would allow a phase in of the Day 1 capital impact over a number of years.

It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced.

IFRS 15 Revenue from contracts with customers

The group's current measurement and recognition principles are aligned to the standard and the group does not expect an impact to measurement principles currently applied. The impact of the disclosure requirements of the standard is currently being assessed.

The condensed consolidated interim financial statements have been prepared under the supervision of Nishlan Samujh, the Group Chief Financial Officer.

Calculation of headline earnings

R'million	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Profit after taxation	2 309	1 611	3 229
Preference dividends paid	(67)	(65)	(131)
Earnings attributable to ordinary shareholders	**2 242**	**1 546**	**3 098**
Headline adjustments, net of taxation*	(46)	(60)	(29)
Gain on realisation of available-for-sale assets recycled through the income statement	(46)	(60)	(61)
Loss on non-current assets held-for-sale	–	–	32
Headline earnings attributable to ordinary shareholders	**2 196**	**1 486**	**3 069**

* *Net of taxation of R18.0 million [Six months to 30 September 2016: R23.4 million; year to 31 March 2017: R14.6 million].*

Net interest income

For the six months to 30 September R'million	Notes	2017 Balance sheet value	2017 Interest income	2016 Balance sheet value	2016 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	115 133	3 541	138 052	3 828
Core loans and advances	2	248 324	11 535	222 775	10 534
Private client		165 682	7 680	148 112	7 045
Corporate, institutional and other clients		82 642	3 855	74 663	3 489
Other debt securities and other loans and advances		12 347	387	11 732	333
Other interest-earning assets	3	16 723	156	14 182	278
Total interest-earning assets		**392 527**	**15 619**	**386 741**	**14 973**

For the six months to 30 September R'million	Notes	2017 Balance sheet value	2017 Interest expense	2016 Balance sheet value	2016 Interest expense
Deposits by banks and other debt-related securities	4	37 857	(867)	55 073	(777)
Customer accounts (deposits)		309 996	(10 418)	290 903	(9 973)
Other interest-bearing liabilities	5	7 805	(56)	7 056	–
Subordinated liabilities		13 524	(615)	12 407	(464)
Total interest-bearing liabilities		**369 812**	**(11 956)**	**365 439**	**(11 214)**
Net interest income			**3 663**		**3 759**
Annualised net interest margin			**1.86%**		**1.96%**

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; loans from group companies.*

Net fee and commission income

For the six months to 30 September R'million	2017	2016
Corporate and institutional transactional and advisory services	809	701
Private client transactional fees	407	322
Fee and commission income	1 216	1 023
Fee and commission expense	(132)	(129)
Net fee and commission income	**1 084**	**894**
Annuity fees (net of fees payable)	752	504
Deal fees	332	390

Investment income

For the six months to 30 September R'million	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories	Total
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:				
2017				
Realised	170	107	7	284
Unrealised	123	–	–	123
Dividend income	214	–	–	214
Funding cost and other net related costs	(24)	–	–	(24)
	483	**107**	**7**	**597**
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**

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

Analysis of assets and liabilities by measurement basis

At 30 September 2017 R'million	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	9 200	–	9 200
Loans and advances to banks	–	18 723	–	18 723
Non-sovereign and non-bank cash placements	51	10 348	–	10 399
Reverse repurchase agreements and cash collateral on securities borrowed	11 920	6 013	–	17 933
Sovereign debt securities	47 299	3 423	–	50 722
Bank debt securities	6 058	2 098	–	8 156
Other debt securities	10 418	1 638	–	12 056
Derivative financial instruments	11 244	–	–	11 244
Securities arising from trading activities	1 463	–	–	1 463
Investment portfolio	8 414	–	–	8 414
Loans and advances to customers	17 391	223 702	–	241 093
Own originated loans and advances to customers securitised	–	7 231	–	7 231
Other loans and advances	–	291	–	291
Other securitised assets	–	274	–	274
Interests in associated undertakings	–	–	5 898	5 898
Deferred taxation assets	–	–	292	292
Other assets	940	3 055	2 822	6 817
Property and equipment	–	–	289	289
Investment properties	–	–	1	1
Goodwill	–	–	171	171
Intangible assets	–	–	460	460
Loans to group companies	175	16 274	–	16 449
	115 373	**302 270**	**9 933**	**427 576**
Liabilities				
Deposits by banks	–	25 181	–	25 181
Derivative financial instruments	13 457	–	–	13 457
Other trading liabilities	1 708	–	–	1 708
Repurchase agreements and cash collateral on securities lent	465	9 441	–	9 906
Customer accounts (deposits)	30 854	279 142	–	309 996
Debt securities in issue	–	2 770	–	2 770
Liabilities arising on securitisation of own originated loans and advances	–	1 652	–	1 652
Current taxation liabilities	–	–	577	577
Deferred taxation liabilities	–	–	104	104
Other liabilities	404	1 333	3 988	5 725
Loans from group companies	–	6 153	–	6 153
Subordinated liabilities	–	13 524	–	13 524
	46 888	**339 196**	**4 669**	**390 753**

Additional IAS 34 disclosures

(continued)

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 2017 R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-sovereign and non-bank cash placements	51	–	51	–
Reverse repurchase agreements and cash collateral on securities borrowed	11 920	–	11 920	–
Sovereign debt securities	47 299	47 299	–	–
Bank debt securities	6 058	4 765	1 293	–
Other debt securities	10 418	6 590	3 828	–
Derivative financial instruments	11 244	–	11 234	10
Securities arising from trading activities	1 463	1 185	278	–
Investment portfolio	8 414	4 479	596	3 339
Loans and advances to customers	17 391	–	17 391	–
Other assets	940	940	–	–
Loans to group companies	175	–	175	–
	115 373	**65 258**	**46 766**	**3 349**
Liabilities				
Derivative financial instruments	13 457	–	13 457	–
Other trading liabilities	1 708	240	1 468	–
Repurchase agreements and cash collateral on securities lent	465	–	465	–
Customer accounts (deposits)	30 854	–	30 854	–
Other liabilities	404	–	404	–
	46 888	**240**	**46 648**	**–**
Net financial assets at fair value	**68 485**	**65 018**	**118**	**3 349**

Transfers between level 1 and level 2

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

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 2017
Balance at 1 April 2017	**3 295**
Total losses included in the income statement	(58)
Purchases	219
Sales	(2)
Transfers out of level 3	(106)
Foreign exchange adjustments	1
Balance at 30 September 2017	**3 349**

For the period ended 30 September 2017, R105.6 million has been transferred from level 3 into level 2 as a result of the inputs to the valuation methods becoming observable in the market due to a selling price becoming available.

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

For the six months to 30 September 2017

R'million	Total	Realised	Unrealised
Total losses included in the income statement for the year			
Investment income	(58)	(5)	(53)

Additional IAS 34 disclosures

(continued)

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2017	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Assets						
Derivative financial instruments	10	Comparable sales	Property value	(10%) – 10%	1	(1)
Investment portfolio	3 339				1 077	(1 222)
		Price earnings	EBITDA	*	902	(843)
		Discounted cash flow	Precious and industrial metal prices	(10%) – 6%	116	(320)
		Other	Various	**	59	(59)
Total	3 349				1 078	(1 223)

* *The EBITDA has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

** *The valuation sensitivity for certain equity investments has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purpose 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:

EBITDA

The group's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

Property value and precious and industrial metal prices

Property value and the price of precious and industrial metals is a key driver of future cash flows on these 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
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price	Liquidity adjustment
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
Other liabilities	Discounted cash flow model	Yield curve

Fair value of financial assets and liabilities at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost where the carrying value is not a reasonable approximation of fair value:

At 30 September 2017 **R'million**	**Carrying amount**	**Fair value**
Assets		
Sovereign debt securities	3 423	3 340
Bank debt securities	2 098	2 228
Other debt securities	1 638	1 649
Loans and advances to customers	223 702	223 871
Liabilities		
Deposits by banks	25 181	24 991
Repurchase agreements and cash collateral on securities lent	9 441	9 850
Customer accounts (deposits)	279 142	278 631
Debt securities in issue	2 770	2 761
Subordinated liabilities	13 524	14 493

03

Risk management and capital information (unaudited)

Risk management

As per Basel requirements, 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 2017.

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

The board risk and capital committee (comprising both executive and non-executive directors) meets six times per annum and approves the overall risk appetite for the Investec group. The group's risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running our businesses.

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. As fundamental to our values, we have a strong and embedded risk and capital management culture.

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

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 may not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following defaults by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

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 following tables provide an analysis of the bank's credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 0.7% to R452.5 billion largely as a result of a decrease in loans and advances to banks and a decrease in reverse repurchase agreements and cash collateral on securities borrowed. Cash and near cash balances amount to R103 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 2017	31 March 2017	% change	Average*
Cash and balances at central banks	9 200	8 353	10.1%	8 776
Loans and advances to banks	18 723	31 937	(41.4%)	25 330
Non-sovereign and non-bank cash placements	10 399	8 993	15.6%	9 695
Reverse repurchase agreements and cash collateral on securities borrowed	17 933	26 627	(32.7%)	22 280
Sovereign debt securities	50 722	47 822	6.1%	49 272
Bank debt securities	8 156	7 758	5.1%	7 957
Other debt securities	12 056	11 945	0.9%	12 001
Derivative financial instruments	5 372	6 364	(15.6%)	5 868
Securities arising from trading activities	1 185	463	>100%	824
Loans and advances to customers (gross)	242 306	226 873	6.8%	234 590
Own originated loans and advances to customers securitised (gross)	7 237	7 782	(7.0%)	7 510
Other loans and advances (gross)	316	336	(6.0%)	326
Other assets	2 759	2 757	0.1%	2 758
Total on-balance sheet exposures	**386 364**	**388 010**	**(0.4%)**	**387 187**
Guarantees^	12 104	15 750	(23.1%)	13 927
Contingent liabilities, committed facilities and other	54 028	52 089	3.7%	53 059
Total off-balance sheet exposures	**66 132**	**67 839**	**(2.5%)**	**66 986**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**452 496**	**455 849**	**(0.7%)**	**454 173**

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

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

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

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 30 September 2017				
Cash and balances at central banks	9 200	–		9 200
Loans and advances to banks	18 723	–		18 723
Non-sovereign and non-bank cash placements	10 399	–		10 399
Reverse repurchase agreements and cash collateral on securities borrowed	17 933	–		17 933
Sovereign debt securities	50 722	–		50 722
Bank debt securities	8 156	–		8 156
Other debt securities	12 056	–		12 056
Derivative financial instruments	5 372	5 872		11 244
Securities arising from trading activities	1 185	278		1 463
Investment portfolio	–	8 414	1	8 414
Loans and advances to customers	242 306	(1 213)	2	241 093
Own originated loans and advances to customers securitised	7 237	(6)	2	7 231
Other loans and advances	316	(25)	2	291
Other securitised assets	–	274	3	274
Interest in associated undertakings	–	5 898	1	5 898
Deferred taxation assets	–	292		292
Other assets	2 759	4 058	4	6 817
Property and equipment	–	289		289
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	460		460
Loans to group companies	–	16 449		16 449
Non-current assets classified as held for sale	–	–		–
Total on-balance sheet exposures	**386 364**	**41 212**		**427 576**

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 2017				
Cash and balances at central banks	8 353	–		8 353
Loans and advances to banks	31 937	–		31 937
Non-sovereign and non-bank cash placements	8 993	–		8 993
Reverse repurchase agreements and cash collateral on securities borrowed	26 627	–		26 627
Sovereign debt securities	47 822	–		47 822
Bank debt securities	7 758	–		7 758
Other debt securities	11 945	–		11 945
Derivative financial instruments	6 364	3 492		9 856
Securities arising from trading activities	463	190		653
Investment portfolio	–	7 204	1	7 204
Loans and advances to customers	226 873	(1 204)	2	225 669
Own originated loans and advances to customers securitised	7 782	(6)	2	7 776
Other loans and advances	336	(26)	2	310
Other securitised assets	–	100	3	100
Interest in associated undertakings	–	5 514	1	5 514
Deferred taxation assets	–	388		388
Other assets	2 757	2 509	4	5 266
Property and equipment	–	274		274
Investment properties	–	1		1
Goodwill	–	171		171
Intangible assets	–	508		508
Loans to group companies	–	18 106		18 106
Non-current assets classified as held for sale	–	456	1	456
Total on-balance sheet exposures	**388 010**	**37 677**		**425 687**

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 2017						
Cash and balances at central banks	–	–	–	–	9 200	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	118	–	17	337
Reverse repurchase agreements and cash collateral on securities borrowed	660	–	–	–	–	142
Sovereign debt securities	–	–	–	–	50 722	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	1 414	–
Derivative financial instruments	–	–	4	509	–	60
Securities arising from trading activities	–	–	–	2	971	–
Loans and advances to customers (gross)	116 995	42 180	2 515	5 809	6 043	11 836
Own originated loans and advances to customers securitised (gross)	7 237	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	96
Total on-balance sheet exposures	**124 892**	**42 180**	**2 637**	**6 320**	**68 367**	**12 471**
Guarantees^	3 559	1 158	53	976	136	471
Contingent liabilities, committed facilities and other	33 485	5 300	711	533	1 124	751
Total off-balance sheet exposures	**37 044**	**6 458**	**764**	**1 509**	**1 260**	**1 222**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**161 936**	**48 638**	**3 401**	**7 829**	**69 627**	**13 693**
At 31 March 2017						
Cash and balances at central banks	–	–	–	–	8 353	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	1	–	67	635
Reverse repurchase agreements and cash collateral on securities borrowed	586	–	–	–	–	164
Sovereign debt securities	–	–	–	–	47 822	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	1 700	–
Derivative financial instruments	–	–	5	422	–	71
Securities arising from trading activities	–	–	–	1	320	–
Loans and advances to customers (gross)	107 447	40 546	2 895	5 364	5 900	8 523
Own originated loans and advances to customers securitised (gross)	7 782	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	62
Total on-balance sheet exposures	**115 815**	**40 546**	**2 901**	**5 787**	**64 162**	**9 455**
Guarantees^	3 478	1 104	179	648	1 744	689
Contingent liabilities, committed facilities and other	31 165	6 132	301	2 137	609	559
Total off-balance sheet exposures	**34 643**	**7 236**	**480**	**2 785**	**2 353**	**1 248**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**150 458**	**47 782**	**3 381**	**8 572**	**66 515**	**10 703**

^ *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
–	–	–	–	–	–	–	–	–	–	9 200
18 723	–	–	–	–	–	–	–	–	–	18 723
2 605	1 479	3 304	378	107	–	60	30	475	1 489	10 399
16 215	–	885	–	–	–	–	–	–	31	17 933
–	–	–	–	–	–	–	–	–	–	50 722
8 156	–	–	–	–	–	–	–	–	–	8 156
3 676	–	2 316	–	708	–	2 268	–	–	1 674	12 056
3 615	87	68	–	620	–	358	10	37	4	5 372
–	–	–	–	–	–	–	–	–	212	1 185
18 421	3 799	10 209	4 151	5 928	–	3 063	1 525	4 689	5 143	242 306
–	–	–	–	–	–	–	–	–	–	7 237
–	–	–	–	–	316	–	–	–	–	316
81	1 960	293	264	–	–	–	43	1	21	2 759
71 492	**7 325**	**17 075**	**4 793**	**7 363**	**316**	**5 749**	**1 608**	**5 202**	**8 574**	**386 364**
1 670	1 000	1 155	90	345	–	1 184	141	18	148	12 104
3 188	1 538	496	224	151	–	2 956	469	1 274	1 828	54 028
4 858	**2 538**	**1 651**	**314**	**496**	**–**	**4 140**	**610**	**1 292**	**1 976**	**66 132**
76 350	**9 863**	**18 726**	**5 107**	**7 859**	**316**	**9 889**	**2 218**	**6 494**	**10 550**	**452 496**
–	–	–	–	–	–	–	–	–	–	8 353
31 937	–	–	–	–	–	–	–	–	–	31 937
2 130	1 561	2 504	247	201	–	758	–	553	336	8 993
25 051	–	785	–	–	–	–	–	–	41	26 627
–	–	–	–	–	–	–	–	–	–	47 822
7 758	–	–	–	–	–	–	–	–	–	7 758
3 162	–	1 555	–	708	–	2 383	–	–	2 437	11 945
5 065	128	123	3	323	–	138	37	14	35	6 364
–	38	–	–	–	–	–	33	–	71	463
17 640	2 814	11 457	3 953	5 760	–	3 249	1 512	4 010	5 803	226 873
–	–	–	–	–	–	–	–	–	–	7 782
–	–	–	–	–	336	–	–	–	–	336
673	1 470	236	268	–	–	–	40	–	8	2 757
93 416	**6 011**	**16 660**	**4 471**	**6 992**	**336**	**6 528**	**1 622**	**4 577**	**8 731**	**388 010**
3 769	989	985	94	86	–	1 702	125	64	94	15 750
2 984	1 810	858	538	303	–	3 088	68	1 117	420	52 089
6 753	**2 799**	**1 843**	**632**	**389**	**–**	**4 790**	**193**	**1 181**	**514**	**67 839**
100 169	**8 810**	**18 503**	**5 103**	**7 381**	**336**	**11 318**	**1 815**	**5 758**	**9 245**	**455 849**

Private client loans account for 66.7% 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 well diversified across various industry classifications.

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 2017**	**31 March 2017**	**30 Sept 2017**	**31 March 2017**	**30 Sept 2017**	**31 March 2017**
High net worth and professional individuals	124 232	115 229	37 704	35 229	161 936	150 458
Lending collateralised by property – largely to private clients	42 180	40 546	6 458	7 236	48 638	47 782
Agriculture	2 515	2 895	886	486	3 401	3 381
Electricity, gas and water (utility services)	5 809	5 364	2 020	3 208	7 829	8 572
Public and non–business services	6 043	5 900	63 584	60 615	69 627	66 515
Business services	11 836	8 523	1 857	2 180	13 693	10 703
Finance and insurance	18 421	17 640	57 929	82 529	76 350	100 169
Retailers and wholesalers	3 799	2 814	6 064	5 996	9 863	8 810
Manufacturing and commerce	10 209	11 457	8 517	7 046	18 726	18 503
Construction	4 151	3 953	956	1 150	5 107	5 103
Corporate commercial real estate	5 928	5 760	1 931	1 621	7 859	7 381
Other residential mortgages	–	–	316	336	316	336
Mining and resources	3 063	3 249	6 826	8 069	9 889	11 318
Leisure, entertainment and tourism	1 525	1 512	693	303	2 218	1 815
Transport	4 689	4 010	1 805	1 748	6 494	5 758
Communication	5 143	5 803	5 407	3 442	10 550	9 245
Total	**249 543**	**234 655**	**202 953**	**221 194**	**452 496**	**455 849**

Gross credit counterparty exposures by residual contractual maturity at 30 September 2017

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	9 200	–	–	–	–	–	9 200
Loans and advances to banks	17 360	540	409	414	-	–	18 723
Non-sovereign and non-bank cash placements	10 399	–	–	–	–	–	10 399
Reverse repurchase agreements and cash collateral on securities borrowed	12 747	66	1 272	2 994	854	–	17 933
Sovereign debt securities	12 952	13 516	6 241	7 217	3 889	6 907	50 722
Bank debt securities	–	552	299	4 459	2 438	408	8 156
Other debt securities	–	201	320	5 344	4 691	1 500	12 056
Derivative financial instruments	1 129	219	1 270	2 554	200	–	5 372
Securities arising from trading activities	82	–	–	1 103	–	–	1 185
Loans and advances to customers (gross)	20 983	11 487	23 039	127 889	32 569	26 339	242 306
Own originated loans and advances to customers securitised (gross)	–	–	4	30	477	6 726	7 237
Other loans and advances (gross)	–	–	–	316	–	–	316
Other assets	2 759	–	–	–	–	–	2 759
Total on-balance sheet exposures	**87 611**	**26 581**	**32 854**	**152 320**	**45 118**	**41 880**	**386 364**
Guarantees^	4 650	950	900	5 018	281	305	12 104
Contingent liabilities, committed facilities and other	12 867	1 060	2 902	16 828	2 723	17 648	54 028
Total off-balance sheet exposures	**17 517**	**2 010**	**3 802**	**21 846**	**3 004**	**17 953**	**66 132**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**105 128**	**28 591**	**36 656**	**174 166**	**48 122**	**59 833**	**452 496**

^ *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 2017	31 March 2017
Loans and advances to customers as per the balance sheet	241 093	225 669
Add: own originated loans and advances to customers securitised as per the balance sheet	7 231	7 776
Net core loans and advances to customers	**248 324**	**233 445**

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

R'million	30 Sept 2017	31 March 2017
Gross core loans and advances to customers	**249 543**	**234 655**
Total impairments	**(1 219)**	**(1 210)**
Specific impairments	(740)	(884)
Portfolio impairments	(479)	(326)
Net core loans and advances to customers	**248 324**	**233 445**
Average gross core loans and advances to customers	**242 099**	**225 405**
Current loans and advances to customers	244 729	230 131
Past due loans and advances to customers (1 – 60 days)	1 339	670
Special mention loans and advances to customers	409	242
Default loans and advances to customers	3 066	3 612
Gross core loans and advances to customers	**249 543**	**234 655**
Current loans and advances to customers	244 729	230 131
Default loans that are current and not impaired	277	132
Gross core loans and advances to customers that are past due but not impaired	2 672	1 927
Gross core loans and advances to customers that are impaired	1 865	2 465
Gross core loans and advances to customers	**249 543**	**234 655**
Total income statement charge for impairments on core loans and advances	**(372)**	**(659)**
Gross default loans and advances to customers	3 066	3 612
Specific impairments	(740)	(884)
Portfolio impairments	(479)	(326)
Defaults net of impairments	**1 847**	**2 402**
Aggregate collateral and other credit enhancements on defaults	4 041	4 339
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.49%	0.52%
Total impairments as a % of gross default loans	39.76%	33.50%
Gross defaults as a % of gross core loans and advances to customers	1.23%	1.54%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.74%	1.03%
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)	0.31%	0.29%

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

R'million	30 Sept 2017	31 March 2017
Default loans that are current	838	1 254
1 – 60 days	2 049	1 470
61 – 90 days	195	182
91 – 180 days	494	473
181 – 365 days	373	717
> 365 days	865	428
Past due and default core loans and advances to customers (actual capital exposure)	**4 814**	**4 524**
1 – 60 days	326	256
61 – 90 days	34	23
91 – 180 days	297	66
181 – 365 days	94	476
> 365 days	665	177
Past due and default core loans and advances to customers (actual amount in arrears)	**1 416**	**998**

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 2017							
Watchlist loans neither past due nor impaired							
Total capital exposure	277	–	–	–	–	–	277
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 696	169	315	84	408	2 672
Amount in arrears	–	191	30	230	28	372	851
Gross core loans and advances to customers that are impaired							
Total capital exposure	561	353	26	179	289	457	1 865
Amount in arrears	–	135	4	67	66	293	565
At 31 March 2017							
Watchlist loans neither past due nor impaired							
Total capital exposure	132	–	–	–	–	–	132
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 113	150	121	460	83	1 927
Amount in arrears	–	205	18	27	439	53	742
Gross core loans and advances to customers that are impaired							
Total capital exposure	1 122	357	32	352	257	345	2 465
Amount in arrears	–	51	5	39	37	124	256

An age analysis of past due and default core loans and advances to customers at 30 September 2017 (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)	**–**	**1 339**	**–**	**–**	**–**	**–**	**1 339**
Special mention	**–**	**265**	**144**	**–**	**–**	**–**	**409**
Special mention (1 – 90 days)	–	265	29	–	–	–	294
Special mention (61 – 90 days and item well secured)	–	–	115	–	–	–	115
Default	**838**	**445**	**51**	**494**	**373**	**865**	**3 066**
Sub-standard	277	92	25	315	95	397	1 201
Doubtful	561	353	26	179	278	468	1 865
Total	**838**	**2 049**	**195**	**494**	**373**	**865**	**4 814**

An age analysis of past due and default core loans and advances to customers at 30 September 2017 (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)	**–**	**116**	**–**	**–**	**–**	**–**	**116**
Special mention	**–**	**61**	**26**	**–**	**–**	**–**	**87**
Special mention (1 – 90 days)	–	61	18	–	–	–	79
Special mention (61 – 90 days and item well secured)	–	–	8	–	–	–	8
Default	**–**	**149**	**8**	**297**	**94**	**665**	**1 213**
Sub-standard	–	14	4	230	30	370	648
Doubtful	–	135	4	67	64	295	565
Total	**–**	**326**	**34**	**297**	**94**	**665**	**1 416**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (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)	**–**	**670**	**–**	**–**	**–**	**–**	**670**
Special mention	**–**	**151**	**87**	**1**	**–**	**3**	**242**
Special mention (1 – 90 days)	–	151	–	1*	–	3*	155
Special mention (61 – 90 days and item well secured)	–	–	87	–	–	–	87
Default	**1 254**	**649**	**95**	**472**	**717**	**425**	**3 612**
Sub-standard	132	292	63	120	460	80	1 147
Doubtful	1 122	357	32	352	257	345	2 465
Total	**1 254**	**1 470**	**182**	**473**	**717**	**428**	**4 524**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (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)	**–**	**140**	**–**	**–**	**–**	**–**	**140**
Special mention	**–**	**8**	**13**	**–**	**–**	**–**	**21**
Special mention (1 – 90 days)	–	8	–	–	–	–	8
Special mention (61 – 90 days and item well secured)	–	–	13	–	–	–	13
Default	**–**	**108**	**10**	**66**	**476**	**177**	**837**
Sub-standard	–	57	5	27	439	53	581
Doubtful	–	51	5	39	37	124	256
Total	**–**	**256**	**23**	**66**	**476**	**177**	**998**

* *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 2017								
Current core loans and advances	**244 729**	**–**	**–**	**244 729**	**–**	**(467)**	**244 262**	**–**
Past due (1 – 60 days)	**–**	**1 339**	**–**	**1 339**	**–**	**(6)**	**1 333**	**116**
Special mention	**–**	**409**	**–**	**409**	**–**	**(1)**	**408**	**87**
Special mention (1 – 90 days)	–	294	–	294	–	(1)	293	79
Special mention (61 – 90 days and item well secured)	–	115	–	115	–	–	115	8
Default	**277**	**924**	**1 865**	**3 066**	**(740)**	**(5)**	**2 321**	**1 213**
Sub-standard	277	924	–	1 201	–	(5)	1 196	648
Doubtful	–	–	1 865	1 865	(740)	–	1 125	565
Total	**245 006**	**2 672**	**1 865**	**249 543**	**(740)**	**(479)**	**248 324**	**1 416**
At 31 March 2017								
Current core loans and advances	**230 131**	**–**	**–**	**230 131**	**–**	**(319)**	**229 812**	**–**
Past due (1 – 60 days)	**–**	**670**	**–**	**670**	**–**	**(2)**	**668**	**140**
Special mention	**–**	**242**	**–**	**242**	**–**	**(1)**	**241**	**21**
Special mention (1 – 90 days)	–	155	–	155	–	(1)	154	8
Special mention (61 – 90 days and item well secured)	–	87	–	87	–	–	87	13
Default	**132**	**1 015**	**2 465**	**3 612**	**(884)**	**(4)**	**2 724**	**837**
Sub-standard	132	1 015	–	1 147	–	(4)	1 143	581
Doubtful	–	–	2 465	2 465	(884)	–	1 581	256
Total	**230 263**	**1 927**	**2 465**	**234 655**	**(884)**	**(326)**	**233 445**	**998**

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

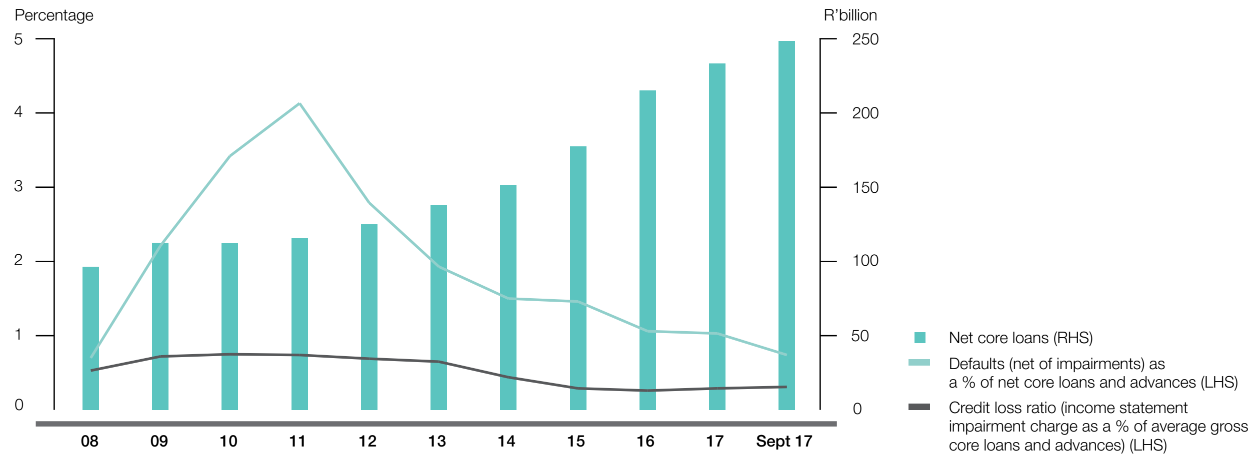
R'million	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2017						
Current core loans and advances	**163 143**	**50 860**	**18 376**	**5 907**	**6 443**	**244 729**
Past due (1 – 60 days)	**573**	**713**	**–**	**–**	**53**	**1 339**
Special mention	**332**	**73**	**–**	**–**	**4**	**409**
Special mention (1 – 90 days)	217	73	–	–	4	294
Special mention (61 – 90 days and item well secured)	115	–	–	–	–	115
Default	**2 364**	**288**	**45**	**136**	**233**	**3 066**
Sub-standard	1 032	124	45	–	–	1 201
Doubtful	1 332	164	–	136	233	1 865
Total gross core loans and advances to customers	**166 412**	**51 934**	**18 421**	**6 043**	**6 733**	**249 543**
Total impairments	**(730)**	**(245)**	**(16)**	**(64)**	**(164)**	**(1 219)**
Specific impairments	(475)	(41)	–	(60)	(164)	(740)
Portfolio impairments	(255)	(204)	(16)	(4)	–	(479)
Net core loans and advances to customers	**165 682**	**51 689**	**18 405**	**5 979**	**6 569**	**248 324**
At 31 March 2017						
Current core loans and advances	**152 507**	**48 581**	**17 604**	**5 765**	**5 674**	**230 131**
Past due (1 – 60 days)	**600**	**7**	**–**	**–**	**63**	**670**
Special mention	**158**	**79**	**–**	**–**	**5**	**242**
Special mention (1 – 90 days)	76	79	–	–	–	155
Special mention (61 – 90 days and item well secured)	82	–	–	–	5	87
Default	**2 510**	**755**	**36**	**135**	**176**	**3 612**
Sub-standard	995	114	36	–	2	1 147
Doubtful	1 515	641	–	135	174	2 465
Total gross core loans and advances to customers	**155 775**	**49 422**	**17 640**	**5 900**	**5 918**	**234 655**
Total impairments	**(581)**	**(401)**	**(18)**	**(62)**	**(148)**	**(1 210)**
Specific impairments	(360)	(316)	–	(60)	(148)	(884)
Portfolio impairments	(221)	(85)	(18)	(2)	–	(326)
Net core loans and advances to customers	**155 194**	**49 021**	**17 622**	**5 838**	**5 770**	**233 445**

An analysis of core loans and advances by risk category at 30 September 2017

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**42 180**	**1 017**	**1 102**	**(365)**	**(149)**
Commercial real estate	**37 948**	**713**	**885**	**(211)**	**(61)**
Commercial real estate – investment	33 887	643	829	(177)	(31)
Commercial real estate – development	3 175	8	11	–	(2)
Commercial vacant land and planning	886	62	45	(34)	(28)
Residential real estate	**4 232**	**304**	**217**	**(154)**	**(88)**
Residential real estate – development	3 555	277	204	(132)	(93)
Residential vacant land and planning	677	27	13	(22)	5
High net worth and other private client lending	**124 232**	**1 347**	**1 989**	**(110)**	**30**
Mortgages	63 710	768	1 063	(64)	(14)
High net worth and specialised lending	60 522	579	926	(46)	44
Corporate and other lending	**83 131**	**702**	**950**	**(265)**	**(98)**
Acquisition finance	14 246	249	273	(29)	(74)
Asset-based lending	6 748	232	308	(164)	(24)
Fund finance	5 234	–	–	–	(6)
Other corporate and financial institutions and governments	45 502	195	333	(72)	5
Asset finance	3 565	26	36	–	–
Small ticket asset finance	2 514	–	–	–	–
Large ticket asset finance	1 051	26	36	–	–
Project finance	6 938	–	–	–	(1)
Resource finance	898	–	–	–	2
Portfolio impairments	**–**	**–**	**–**	**(479)**	**(155)**
Total	**249 543**	**3 066**	**4 041**	**(1 219)**	**(372)**

^ *Where a positive number represents a recovery.*

Asset quality trends



Trends in the above graph are for the year ended 31 March 2017, unless otherwise stated.

An analysis of core loans and advances by risk category at 31 March 2017

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	**40 546**	**990**	**1 158**	**(214)**	**(93)**
Commercial real estate	**36 526**	**615**	**781**	**(151)**	**(53)**
Commercial real estate – investment	33 654	546	653	(133)	(74)
Commercial real estate – development	1 868	–	1	–	11
Commercial vacant land and planning	1 004	69	127	(18)	10
Residential real estate	**4 020**	**375**	**377**	**(63)**	**(40)**
Residential real estate – development	2 661	310	313	(42)	(42)
Residential vacant land and planning	1 359	65	64	(21)	2
High net worth and other private client lending	**115 229**	**1 520**	**2 227**	**(146)**	**(282)**
Mortgages	60 493	723	994	(60)	(22)
High net worth and specialised lending	54 736	797	1 233	(86)	(260)
Corporate and other lending	**78 880**	**1 102**	**954**	**(524)**	**(182)**
Acquisition finance	13 357	582	534	(132)	(55)
Asset-based lending	5 936	176	285	(148)	(41)
Fund finance	5 548	–	–	–	4
Other corporate and financial institutions and governments	43 866	139	135	(72)	(32)
Asset finance	2 697	26	–	–	(9)
Small ticket asset finance	2 142	–	–	–	(9)
Large ticket asset finance	555	26	–	–	–
Project finance	6 414	–	–	–	1
Resource finance	1 062	179	–	(172)	(50)
Portfolio impairments	**–**	**–**	**–**	**(326)**	**(102)**
Total	**234 655**	**3 612**	**4 339**	**(1 210)**	**(659)**

^ *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 2017			
Eligible financial collateral	**49 627**	**11 780**	**61 407**
Listed shares	48 133	6 043	54 176
Cash	1 494	4	1 498
Debt securities issued by sovereigns	–	5 733	5 733
Property charge	**329 071**	**282**	**329 353**
Residential property	161 087	207	161 294
Commercial property developments	15 040	75	15 115
Commercial property investments	152 944	–	152 944
Other collateral	**67 533**	**875**	**68 408**
Unlisted shares	8 954	24	8 978
Charges other than property	14 506	–	14 506
Debtors, stock and other corporate assets	5 444	24	5 468
Guarantees	26 969	–	26 969
Other	11 660	827	12 487
Total collateral	**446 231**	**12 937**	**459 168**
At 31 March 2017			
Eligible financial collateral	**42 823**	**25 020**	**67 843**
Listed shares	41 271	15 674	56 945
Cash	1 552	14	1 566
Debt securities issued by sovereigns	–	9 332	9 332
Property charge	**326 783**	**586**	**327 369**
Residential property	169 842	436	170 278
Commercial property developments	14 055	150	14 205
Commercial property investments	142 886	–	142 886
Other collateral	**66 497**	**854**	**67 351**
Unlisted shares	7 553	22	7 575
Charges other than property	14 435	–	14 435
Debtors, stock and other corporate assets	6 117	–	6 117
Guarantees	26 148	–	26 148
Other	12 244	832	13 076
Total collateral	**436 103**	**26 460**	**462 563**

* *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. Investec Bank Limited holds a 46% stake alongside other strategic investors who hold the remaining 54% in the IEP Group. The investment in the IEP Group 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	Unrealised*	Realised*	Dividends	Other	Total	Fair value through equity
	Income/(loss) (pre-funding costs)					
30 September 2017						
Unlisted investments	71	124	57	–	252	(2)
Listed equities	38	11	157	–	206	–
Investment and trading properties	–	5	–		5	–
Warrants, profit shares and other embedded derivatives	14	35	–	–	49	–
The IEP Group^	–	–	–	374	374	–
Total	**123**	**175**	**214**	**374**	**886**	**(2)**
30 March 2017						
Unlisted investments	(126)	100	243	–	217	(2)
Listed equities	(117)	(9)	223	–	97	(47)
Investments and trading properties	(208)	29	–	–	(179)	–
Warrants, profit shares and other embedded derivatives	(18)	263	–	–	245	–
The IEP Group^	–	–	–	303	303	–
Total	**(469)**	**383**	**466**	**303**	**683**	**(49)**

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

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 2017	Valuation change stress test 30 Sept 2017*	On-balance sheet value of investments 30 March 2017	Valuation change stress test 30 March 2017*
Unlisted investments^	3 809	571	3 573	536
Listed equities	4 605	1 151	4 087	1 022
Investment and trading properties	276	55	294	59
Warrants, profit shares and other embedded derivatives	234	82	221	77
The IEP Group^^	5 787	868	5 413	812
Total	**14 711**	**2 727**	**13 588**	**2 506**

^ *Includes the investment portfolio and non-current assets classified as held for sale as per the balance sheet (for the period 30 March 2017).*
^^ *As explained on page 45.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress testing parameters detailed below are applied.*

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

Additional information

An analysis of the investment portfolio, warrants, profit shares and other embedded derivatives by industry of exposure (excluding investment and trading properties and the IEP Group)

30 September 2017
R8 468 million

Real estate	42.9%
Manufacturing and commerce	14.8%
Mining and resources	14.0%
Communication	12.5%
Finance and insurance	9.3%
Other	4.6%
Electricity, gas and water (utility services)	1.9%

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.

Stress testing summary

Based on the information at 30 September 2017, as reflected above, we could have a R2.7 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes 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 bank's definition of securitisation/ structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Investec Bank Limited engages in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and a source of liquidity. Investec Bank Limited does not depend on special purpose vehicles for funding in its normal course of business. These entities form part of the consolidated group balance sheet as reported.

We have securitised assets originated by our Private Client business. The primary motivations for the securitisation of these assets 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
- Create a potential committed liquidity facility (CLF) asset.

Total assets that have been originated and securitised by the Private Client division amount to R7.2 billion at 30 September 2017 (31 March 2017: R7.8 billion) and consist of residential mortgages (R7.2 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R20 million.

Further details of the various securitisation vehicles are highlighted below:

- Fox Street 2: R847 million notes of the original R1.5 billion are still in issue. R247 million of the notes are held internally
- Fox Street 3: R1.3 billion notes of the original R2.0 billion are still in issue. R270 million of the notes are held internally
- Fox Street 4: R2.4 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R2.4 billion notes of the original R2.9 billion are still in issue. All notes are held internally.

There is a clean-up call option that can be exercised at 10% of original notes issued. The margin on the notes increases at pre-specified intervals and coincides with the originator call option dates.

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated UK and European residential mortgage-backed securities (RMBS), totalling R0.4 billion at 30 September 2017 (31 March 2017: R0.9 billion) and unrated South African RMBS, totalling R1.0 billion at 30 September 2017 (31 March 2017: R0.9 billion).

We determine regulatory capital requirements for securitised credit exposures based on specific regulatory rule sets which, at maximum, carry a risk weight of 1 250%. This is capped to the capital requirement had the bank been exposed to the entire portfolio. The group has no resecuritisation exposures.

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.

Risk management

(continued)

Nature of exposure/activity	Exposure 30 Sept 2017 R'million	Exposure 31 Mar 2017 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	1 463	1 812	Other debt securities	
Rated	423	863		
Unrated	1 040	949		
Loans and advances to customers and third party intermediary platforms (mortgage loans) (net exposure)	291	310	Other loans and advances	
Private Client division assets which have been securitised	7 237	7 782	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances

*Analysis of rated and unrated structured credit

	30 September 2017			31 March 2017		
R'million	**Rated****	**Unrated**	**Total**	**Rated****	**Unrated**	**Total**
UK and European RMBS	376		376	773	–	773
Australian RMBS	47		47	90	–	90
South African RMBS	–	1 040	1 040	–	949	949
Total	**423**	**1 040**	**1 463**	**863**	**949**	**1 812**

**A further analysis of rated structured credit

R'million	AAA	AA	A	BBB	BB	B	CCC and below	Total
UK and European RMBS	74	158	–	–	144	–	–	376
Australian RMBS	–	47	–	–	–	–	–	47
Total at 30 September 2017	**74**	**205**	**–**	**–**	**144**	**–**	**–**	**423**
Total at 31 March 2017	**72**	**391**	**253**	**–**	**147**	**–**	**–**	**863**

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 Review 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 shortfall (ES) 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. ESs 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. Scenario analysis is done at least once a week and is included in the data presented to Review ERRF.

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

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

The table on the following page 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.

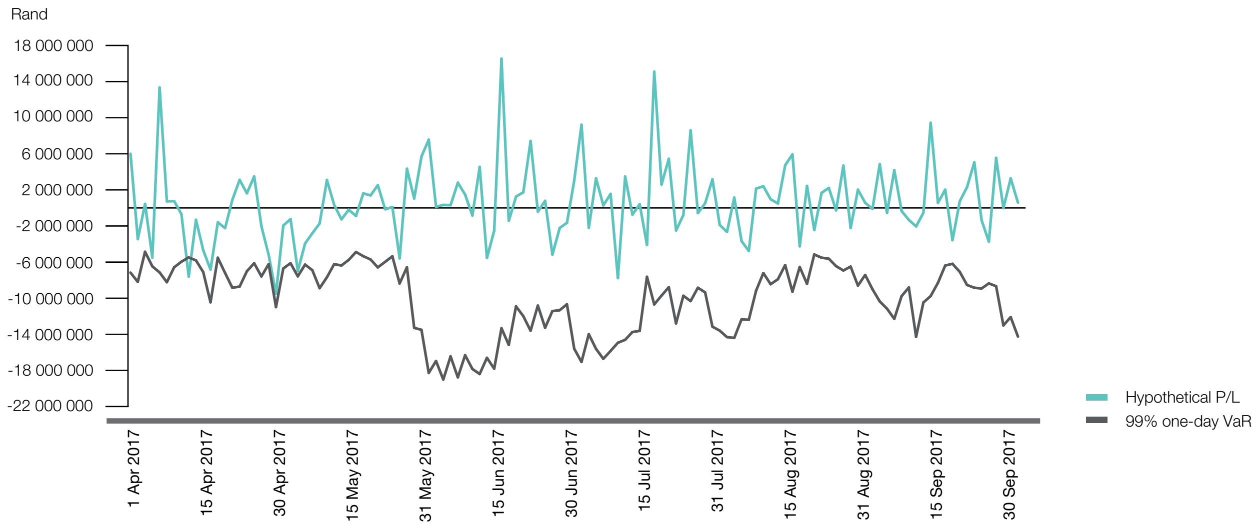
VaR

R'million	30 September 2017 Period end	Average	High	Low	31 March 2017 Year end	Average	High	Low
95% (one-day)								
Commodities	0.1	0.1	0.2	–	0.1	0.1	0.5	–
Equities	2.5	2.4	4.4	1.4	1.6	2.5	7.8	1.2
Foreign exchange	2.2	2.5	7.3	0.9	3.7	1.7	5.3	0.9
Interest rates	1.6	2.4	4.6	0.5	0.8	1.6	3.2	0.6
Consolidated*	**2.9**	**3.9**	**10.5**	**2.1**	**4.1**	**3.4**	**9.1**	**1.5**

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

The average VaR for the six months to 30 September 2017 in the South African trading book was slightly higher comparing to the year ended 31 March 2017 due to higher VaR utilisation primarily in the foreign exchange and interest rate trading desks. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception (as shown in the graph below).

99% one-day VaR backtesting



Expected shortfall

The table below contains the 95% one-day expected shortfall (ES) figures. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded.

R'million	30 Sept 2017	31 March 2017
Commodities	0.2	0.1
Equities	4.5	3.5
Foreign exchange	3.9	4.6
Interest rates	3.0	1.5
Consolidated*	**5.8**	**5.3**

* *The consolidated ESs is lower than the sum of the individual ESs. 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 modelling the tail of the distribution using a parametric form suitable for extreme moves.

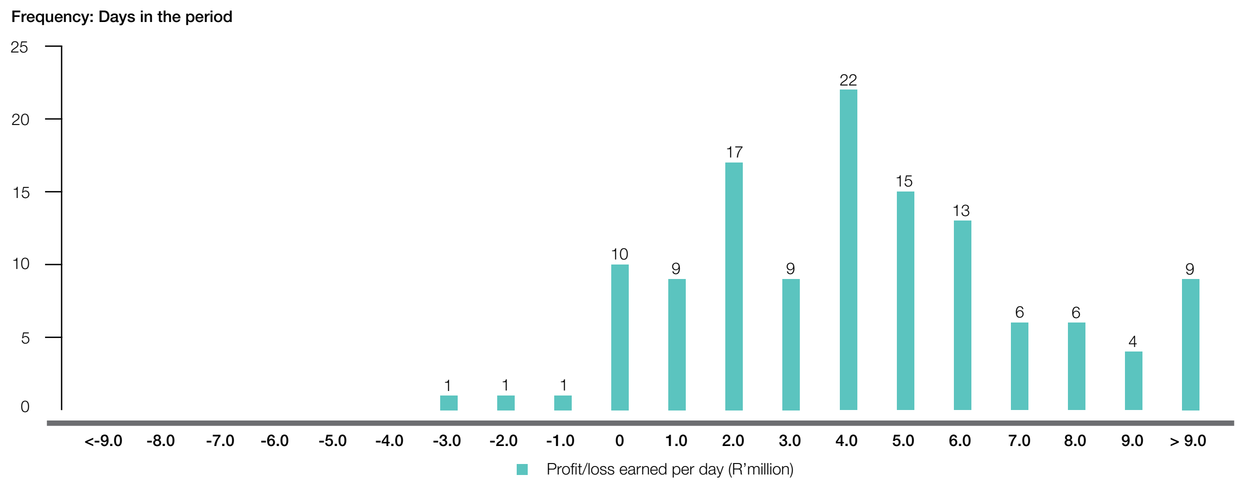
	30 September 2017				
R'million	Period end	Average	High	Low	31 March 2017 Year end
99% (using 99% EVT)					
Commodities	0.5	0.3	0.7	0.1	0.2
Equities	20.0	21.3	38.2	7.3	24.9
Foreign exchange	19.7	15.7	43.0	2.5	8.1
Interest rates	11.8	20.8	40.8	4.0	7.7
Consolidated**	**26.9**	**34.1**	**83.2**	**8.6**	**15.7**

** *The consolidated stress testing number is lower than the sum of the individual stress testing numbers. 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 110 days out of a total of 123 days in the trading business for the six months to 30 September 2017. The average daily trading revenue generated for the six months to 30 September 2017 was R4.0 million (31 March 2017: R3.3 million)

Profit and loss



Balance sheet risk management

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

Liquidity risk

Liquidity risk refers to the possibility 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.

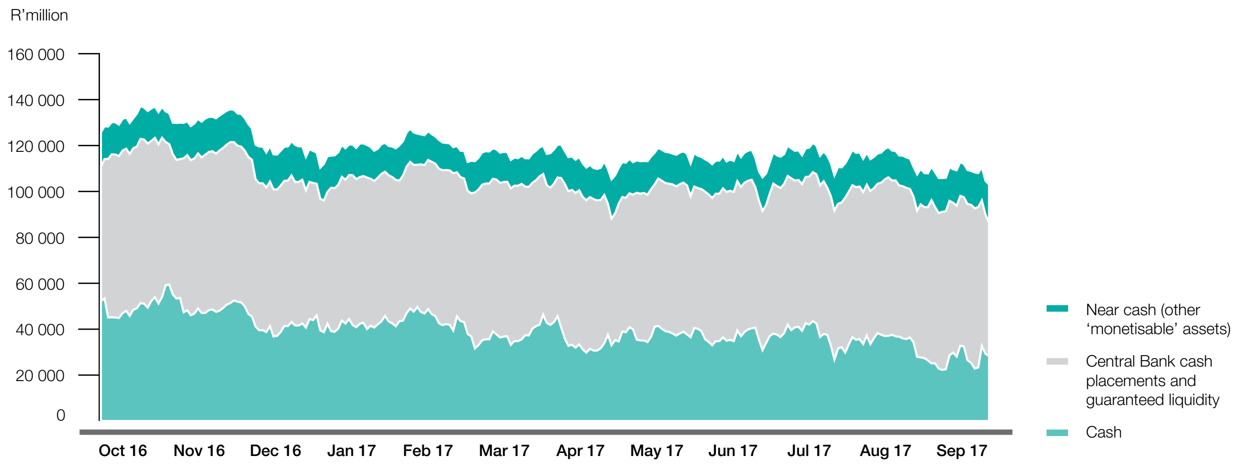
Liquidity risk is further broken down into:

- Funding liquidity: this 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: this 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 2017

R102 620 million

Cash	27.2%
Central Bank cash placements and guaranteed liquidity	56.5%
Near cash (other 'monetisable' assets)	16.3%

Bank and non-bank depositor concentration by type at 30 September 2017

R335 177 million

Other financials	46.9%
Individuals	18.1%
Non-financial corporates	17.8%
Banks	7.5%
Small business	6.4%
Public sector	3.3%

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R103 billion

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch across our business.

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 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 the assets in the liquidity buffer is of little consequence, as practically the bank 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 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 undefined 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 2017

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	22 486	3 474	1 417	–	202	344	–	27 923
Cash and short-term funds – non-banks	10 271	3	120	5	–	–	–	10 399
Investment/trading assets and statutory liquids	47 117	7 362	5 149	943	3 920	19 447	31 949	115 887
Securitised assets	54	8	42	81	147	1 557	5 616	7 505
Advances	5 067	6 967	10 101	13 545	22 180	123 665	59 859	241 384
Other assets	1 252	8 480	270	–	–	1 203	7 120	18 325
Assets	**86 247**	**26 294**	**17 099**	**14 574**	**26 449**	**146 216**	**104 544**	**421 423**
Deposits – banks	(926)	9 139	(2 872)	(466)	(3 279)	(26 777)	–	(25 181)
Deposits – non-banks	(142 342)^	(21 013)	(57 376)	(26 306)	(30 002)	(30 643)	(2 314)	(309 996)
Negotiable paper	–	(445)	(327)	(377)	(352)	(1 269)	–	(2 770)
Securitised liabilities	–	–	–	–	–	–	(1 652)	(1 652)
Investment/trading liabilities	(482)	(2 064)	(2 137)	(1 516)	(2 336)	(15 804)	(732)	(25 071)
Subordinated liabilities	–	–	–	–	–	(4 071)	(9 453)	(13 524)
Other liabilities	(675)	(148)	–	(96)	–	(90)	(5 397)	(6 406)
Liabilities	**(144 425)**	**(14 531)**	**(62 712)**	**(28 761)**	**(35 969)**	**(78 654)**	**(19 548)**	**(384 600)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(36 823)**	**(36 823)**
Contractual liquidity gap	**(58 178)**	**11 763**	**(45 613)**	**(14 187)**	**(9 520)**	**67 562**	**48 173**	**–**
Cumulative liquidity gap	(58 178)	(46 415)	(92 028)	(106 215)	(115 735)	(48 173)	–	

^ *Includes call deposits of R136 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 53.

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	**43 976**	**11 283**	**5 723**	**(904)**	**(2 053)**	**(166 556)**	**108 531**	**–**
Cumulative	43 976	55 259	60 982	60 078	58 025	(108 531)	–	

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact on net interest earnings and sensitivity to economic value of equity of adverse movements in interest rates.

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:** arises from optional elements embedded in items where the bank or its customers can alter the level and timing of their cash flows
- **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 2017. 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	18 348	181	–	–	–	8 512	27 041
Cash and short-term funds – non-banks	10 394	5	–	–	–	–	10 399
Investment/trading assets and statutory liquids	30 910	26 723	6 744	8 651	7 246	13 406	93 680
Securitised assets	7 505	–	–	–	–	–	7 505
Advances	213 791	4 583	1 693	16 532	3 056	1 727	241 382
Other assets	–	–	–	–	–	6 446	6 446
Assets	**280 948**	**31 492**	**8 437**	**25 183**	**10 302**	**30 091**	**386 453**
Deposits – banks	(24 400)	(309)	(472)	–	–	–	(25 181)
Deposits – non-banks	(259 063)	(16 650)	(21 536)	(9 379)	(2 092)	(1 234)	(309 954)
Negotiable paper	(1 650)	(352)	(382)	(386)	–	–	(2 770)
Securitised liabilities	(1 652)	–	–	–	–	–	(1 652)
Investment/trading liabilities	(3 353)	–	–	–	(342)	(507)	(4 202)
Subordinated liabilities	(10 235)	(1 911)	(200)	(715)	–	(463)	(13 524)
Other liabilities	(1 000)	–	–	(19)	(10)	(4 205)	(5 234)
Liabilities	**(301 353)**	**(19 222)**	**(22 590)**	**(10 499)**	**(2 444)**	**(6 409)**	**(362 517)**
Intercompany loans	21 587	327	(3 136)	(4 157)	(42)	633	15 212
Shareholders' funds	(1 123)	–	–	–	(386)	(35 266)	(36 755)
Balance sheet	**59**	**12 597**	**(17 289)**	**10 527**	**7 430**	**(10 951)**	**2 373**
Off-balance sheet	(9 118)	2 612	16 332	(6 717)	(5 482)	–	(2 373)
Repricing gap	**(9 059)**	**15 209**	**(957)**	**3 810**	**1 948**	**(10 951)**	**–**
Cumulative repricing gap	(9 059)	6 150	5 193	9 003	10 951	–	–

Economic value sensitivity at 30 September 2017

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

	Sensitivity to the following interest rates (expressed in original currencies)						
R'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	729.7	4.1	5.7	1.1	0.6	1.6	**908.2**
200bps up	(540.3)	(4.2)	(5.1)	(0.9)	(0.4)	(1.6)	**(707.6)**

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 2017 to 30 September 2017 for Investec Bank Limited bank solo. 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 2017 month-end values.

The minimum LCR requirement is 80% for 2017 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. The Bank of Mauritius has issued their finalised Guidelines on Liquidity Risk Management, requiring banks to comply with a combined-currency LCR minimum of 60% from end November 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 both the level and the volatility 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 High-quality liquid assets (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, the bank establishes 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 4% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 3% to total HQLA
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since March 2017 quarter year end:

The average LCR remains fully compliant with regulatory requirements and within the target range as set by the Board.

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 2017 R'million	Investec Bank Limited Bank Solo Total unweighted value	 Total weighted value	Investec Bank Limited Consolidated Group Total unweighted value	 Total weighted value
High-quality liquid assets				
Total high-quality liquid assets		**73 169**		**73 239**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	**63 716**	**6 372**	**65 905**	**6 591**
Stable deposits	–	–	–	–
Less stable deposits	63 716	6 372	65 905	6 591
Unsecured wholesale funding, of which:	101 579	75 777	109 240	79 387
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	–	–	1 229	307
Non-operational deposits (all counterparties)	100 822	75 020	107 253	78 322
Unsecured debt	757	757	758	758
Secured wholesale funding	–	64	–	64
Additional requirements, of which:	52 751	9 790	55 219	10 033
Outflows related to derivatives exposures and other collateral requirements	9 498	4 885	9 498	4 885
Outflows related to loss of funding on debt products	2	2	2	2
(Undrawn committed) credit and liquidity facilities	43 251	4 903	45 719	5 146
Other contractual funding obligations	420	420	420	420
Other contingent funding obligations	71 038	3 517	71 927	3 556
Total cash outflows	**–**	**95 940**	**–**	**100 051**
Cash inflows				
Secured lending (e.g. reverse repos)	13 927	4 804	13 927	4 804
Inflows from fully performing exposures	34 245	31 684	45 070	41 477
Other cash inflows	2 149	1 584	2 149	1 584
Total cash inflows	**50 321**	**38 072**	**61 146**	**47 865**

		Total adjusted value		Total adjusted value
Total high-quality liquid assets		73 169		73 239
Total net cash outflows		57 869		52 186
Liquidity coverage ratio (%)		**127.0**		**124.9**

Capital structure and capital adequacy

R'million	30 Sept^ 2017	31 March^ 2017
Shareholders' equity	35 289	33 631
Shareholders' equity per balance sheet	36 823	35 165
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	932	896
Cash flow hedging reserve	932	896
Deductions	(1 744)	(679)
Goodwill and intangible assets net of deferred tax	(630)	(679)
Investment in financial entity	(1 114)	–
Common equity tier 1 capital	**34 477**	**33 848**
Additional tier 1 capital	**767**	**767**
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(767)	(767)
Tier 1 capital	**35 244**	**34 615**
Tier 2 capital	**13 998**	**13 501**
Collective impairments allowances	474	321
Tier 2 instruments	13 524	13 180
Total regulatory capital	**49 242**	**48 116**
Risk-weighted assets	**322 651**	**313 010**
Capital ratios		
Common equity tier 1 ratio	10.7%	10.8%
Tier 1 ratio	10.9%	11.1%
Total capital adequacy ratio	15.3%	15.4%
Leverage ratio	7.8%	7.6%

^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity ratio would be 10bps lower (March 2017: 13bps lower).*

Capital requirements

R'million	30 Sept 2017	31 March 2017
Capital requirements	**34 683**	**33 649**
Credit risk – prescribed standardised exposure classes	27 790	25 529
Corporates	17 780	15 112
Secured on real estate property	3 135	3 102
Short-term claims on institutions and corporates	4 801	5 348
Retail	602	566
Institutions	719	691
Other exposure classes	480	482
Securitisation exposures	273	228
Equity risk	3 351	4 730
Listed equities	635	500
Unlisted equities	2 716	4 230
Counterparty credit risk	586	574
Credit valuation adjustment risk	213	199
Market risk	356	413
Interest rate	124	99
Foreign exchange	70	103
Commodities	2	3
Equities	160	208
Operational risk – standardised approach	2 387	2 204
Risk-weighted assets	**322 651**	**313 010**
Credit risk – prescribed standardised exposure classes	258 517	237 474
Corporates	165 402	140 584
Secured on real estate property	29 160	28 856
Short-term claims on institutions and corporates	44 656	49 745
Retail	5 599	5 261
Institutions	6 691	6 426
Other exposure classes	4 469	4 483
Securitisation exposures	2 540	2 119
Equity risk	31 172	44 007
Listed equities	5 906	4 654
Unlisted equities	25 266	39 353
Counterparty credit risk	5 454	5 335
Credit valuation adjustment risk	1 986	1 848
Market risk	3 315	3 847
Interest rate	1 152	924
Foreign Exchange	653	955
Commodities	21	29
Equities	1 489	1 939
Operational risk – standardised approach	22 207	20 499

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 2017	31 March 2017
Opening common equity tier 1 capital	**33 848**	**31 475**
Dividends	(721)	(1 031)
Profit after taxation	2 309	3 229
Movement in other comprehensive income	70	1 104
Goodwill and intangible assets (deduction net of related tax liability)	49	–
Investment in financial entity	(1 114)	16
Other, including regulatory adjustments and transitional arrangements	36	(945)
Closing common equity tier 1 capital	**34 477**	**33 848**
Opening additional tier 1 capital	**767**	**920**
Other, including regulatory adjustments and transitional arrangements	–	(153)
Closing additional tier 1 capital	**767**	**767**
Closing tier 1 capital	**35 244**	**34 615**
Opening tier 2 capital	**13 501**	**10 726**
New tier 2 capital issues	2 497	4 870
Redeemed capital	(2 205)	(2 519)
Collective impairment allowances	153	92
Other, including regulatory adjustments and transitional arrangements	52	332
Closing tier 2 capital	**13 998**	**13 501**
Closing total regulatory capital	**49 242**	**48 116**

A summary of capital adequacy and leverage ratios

	30 Sept 2017	31 March 2017
Common equity tier 1 (as reported)	10.7%	10.8%
Common equity tier 1 ('fully loaded')^^	10.7%	10.8%
Tier 1 (as reported)	10.9%	11.1%
Total capital adequacy ratio (as reported)	15.3%	15.4%
Leverage ratio** – permanent capital	8.0%#	7.7%#
Leverage ratio** – current	7.8%#	7.6%#
Leverage ratio** – ('fully loaded')^^	7.6%#	7.4%#

Reconciliation of leverage ratios

	30 Sept 2017	31 March 2017
Total assets per accounting balance sheet	**427 576**	**425 687**
Deconsolidation of non-financial/other entities	–	–
Consolidation of banking associates	–	–
Total assets per regulatory balance sheet	**427 576**	**425 687**
Reversal of accounting values:		
Derivatives	(11 244)	(9 856)
Securities financing transaction	(17 933)	(26 627)
Regulatory adjustments:	52 341	67 826
Derivative market value	6 863	6 735
Derivative add-on amounts per the mark-to-market method	3 292	3 471
Securities financing transaction add-on for counterparty credit risk	13 401	24 045
Off-balance sheet items	30 529	34 255
Add-on for written credit derivatives	–	–
Exclusion of items already deducted from the capital measure	(1 744)	(680)
Exposure measure	**450 740**	**457 030**
Tier 1 capital	35 244	34 615
Leverage ratio – current**	**7.8%#**	**7.6%#**
Tier 1 capital 'fully loaded'^^	34 477	33 848
Leverage ratio – 'fully loaded'^^**	**7.6%#**	**7.4%#**

^ *Investec Bank Limited's capital information includes in appropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity ratio would be 10bps lower (March 2017: 13bps lower).*
^^ *Based on the group's understanding of current and draft regulations, 'fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*

Directorate

Investec Bank Limited

A subsidiary of Investec Limited

(Age as at 30 November 2017)

Fani Titi (55)
Non-executive chairman
BSc (Hons), MA, MBA

David M Lawrence (66)
Deputy chairman
BA (Econ) (Hons), MCom

Samuel E Abrahams (79)
FCA, CA(SA)

Zarina BM Bassa (53)
BAcc, DipAcc, CA(SA)

Glynn R Burger (61)
BAcc, CA(SA), H Dip BDP, MBL

David Friedland (64)
BCom, CA(SA)

Bernard Kantor (68)
CTA

Stephen Koseff (66)
BCom, CA(SA), H Dip BDP, MBA

Khumo L Shuenyane (47)
BEcon, CA(England & Wales)

Nishlan Samujh (43)
BAcc, CA(SA), Dip(Tax)

Bradley Tapnack (70)
BCom, CA(SA)

Peter RS Thomas (72)
CA(SA)

Richard J Wainwright (55)
Chief executive officer
BCom, CTA, CA(SA)

04

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 29

Notice is hereby given that preference dividend number 29 has been declared by the Board from income reserves for the period 01 April 2017 to 30 September 2017 amounting to a gross preference dividend of 434.57166 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, 08 December 2017.

The relevant dates for the payment of dividend number 29 are as follows:

Last day to trade cum-dividend	Tuesday, 05 December 2017
Shares commence trading ex-dividend	Wednesday, 06 December 2017
Record date	Friday, 08 December 2017
Payment date	Monday, 11 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 06 December 2017 and Friday, 08 December 2017, 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 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 347.65733 cents per preference share for shareholders liable to pay the Dividend Tax and 434.57166 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk
Company Secretary
15 November 2017

Annexure 2 Additional note disclosures

Extract of operating costs
For the six months to 30 September

R'million	2017	2016
Staff costs	2 352	2 084
Premises expenses (excluding depreciation)	192	209
Equipment expenses (excluding depreciation)	86	97
Business expenses	237	222
Marketing expenses	161	203
Depreciation, amortisation and impairment of property, equipment and intangibles	93	79
	3 121	**2 894**

Extract of reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

R'million	30 Sept 2017	31 March 2017
Assets		
Reverse repurchase agreements	12 349	21 508
Cash collateral on securities borrowed	5 584	5 119
	17 933	**26 627**
Liabilities		
Repurchase agreements	9 906	7 825
	9 906	**7 825**

Extract of other debt securities

R'million	30 Sept 2017	31 March 2017
Bonds	7 328	7 276
Commercial paper	70	–
Floating rate notes	3 195	2 533
Liquid asset	–	298
Asset-based securities	1 416	1 748
Other investments	47	90
	12 056	**11 945**

Extract of securities arising from trading activities

R'million	30 Sept 2017	31 March 2017
Bonds	1 185	457
Floating rate notes	–	6
Listed equities	138	115
Unlisted equities	140	75
	1 463	**653**

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

R'million	30 Sept 2017	31 March 2017
Gross loans and advances to customers	242 306	226 873
Impairments of loans and advances to customers	(1 213)	(1 204)
Specific impairments	(739)	(883)
Portfolio impairments	(474)	(321)
Net loans and advances to customers	**241 093**	**225 669**
Gross other loans and advances to customers	316	336
Impairments of other loans and advances to customers	(25)	(26)
Specific impairments	(6)	(9)
Portfolio impairments	(19)	(17)
Net other loans and advances to customers	**291**	**310**

Annexure 2 Additional note disclosures

(continued)

Extract of securitised assets and liabilities arising on securitisation R'million	30 Sept 2017	31 March 2017
Gross own originated loans and advances to customers securitised	7 237	7 782
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	**7 231**	**7 776**
Total other securitised assets	**274**	**100**

Other assets R'million	30 Sept 2017	31 March 2017
Settlement debtors	389	774
Trading properties	275	293
Prepayments and accruals	1 158	835
Trading initial margins	406	341
Investec Import Solutions debtors	2 350	1 862
Fee debtors	79	13
Corporate tax assets	115	115
Other	2 045	1 033
	6 817	**5 266**

Debt securities in issue R'million	30 Sept 2017	31 March 2017
Bonds and medium-term notes repayable in:		
Less than three months	446	52
Three months to one year	741	4 309
One to five years	1 583	1 462
	2 770	**5 823**

Other liabilities R'million	30 Sept 2017	31 March 2017
Settlement liabilities	975	1 547
Other creditors and accruals	2 874	3 193
Other non-interest-bearing liabilities	1 876	1 255
	5 725	**5 995**

Extract of perpetual preference share capital R'million	30 Sept 2017	31 March 2017
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 2017	31 March 2017
Losses carried forward	–	1
	–	**1**

Extract of subordinated liabilities R'million	30 Sept 2017	31 March 2017
Issued by Investec Bank Limited	13 524	13 180
Remaining maturity:		
In one year or less, or on demand	400	2 205
In more than one year, but not more than two years	1 750	400
In more than two years, but not more than five years	11 374	7 012
In more than five years	–	3 563
	13 524	**13 180**

Annexure 2 Additional note disclosures

(continued)

Offsetting At 30 September 2017 R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
Assets					
Cash and balances at central banks	9 200	–	9 200	–	9 200
Loans and advances to banks	24 274	(5 551)	18 723	–	18 723
Non-sovereign and non-bank cash placements	10 399	–	10 399	–	10 399
Reverse repurchase agreements and cash collateral on securities borrowed	17 933	–	17 933	(514)	17 419
Sovereign debt securities	50 722	–	50 722	(6 920)	43 802
Bank debt securities	8 156	–	8 156	(498)	7 658
Other debt securities	12 056	–	12 056	(982)	11 074
Derivative financial instruments	14 816	(3 572)	11 244	(2 993)	8 251
Securities arising from trading activities	1 463	–	1 463	(59)	1 404
Investment portfolio	8 414	–	8 414	–	8 414
Loans and advances to customers	242 970	(1 877)	241 093	–	241 093
Own originated loans and advances to customers securitised	7 231	–	7 231	–	7 231
Other loans and advances	291	–	291	–	291
Other securitised assets	274	–	274	–	274
Other assets	6 817	–	6 817	–	6 817
	415 016	**(11 000)**	**404 016**	**(11 966)**	**392 050**
Liabilities					
Deposits by banks	26 019	(838)	25 181	–	25 181
Derivative financial instruments	21 742	(8 285)	13 457	(2 993)	10 464
Other trading liabilities	1 708	–	1 708	–	1 708
Repurchase agreements and cash collateral on securities lent	9 906	–	9 906	(8 520)	1 386
Customer accounts (deposits)	311 873	(1 877)	309 996	–	309 996
Debt securities in issue	2 770	–	2 770	–	2 770
Liabilities arising on securitisation of own originated loans and advances	1 652	–	1 652	–	1 652
Other liabilities	5 725	–	5 725	–	5 725
Subordinated liabilities	13 524	–	13 524	–	13 524
	394 919	**(11 000)**	**383 919**	**(11 513)**	**372 406**

Annexure 2 Additional note disclosures

(continued)

Offsetting *(continued)* **At 31 March 2017** **R'million**	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet: **Gross amounts**	**Amounts offset**	**Net amounts reported on the balance sheet**	Related amounts not offset: **Financial instruments (including non-cash collateral)**	**Net amount**
Assets					
Cash and balances at central banks	8 353	–	8 353	–	8 353
Loans and advances to banks	36 592	(4 655)	31 937	–	31 937
Non-sovereign and non-bank cash placements	8 993	–	8 993	–	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	26 627	–	26 627	–	26 627
Sovereign debt securities	47 822	–	47 822	(4 393)	43 429
Bank debt securities	7 758	–	7 758	(561)	7 197
Other debt securities	11 945	–	11 945	(805)	11 140
Derivative financial instruments	13 140	(3 284)	9 856	(3 495)	6 361
Securities arising from trading activities	653	–	653	(108)	545
Investment portfolio	7 204	–	7 204	–	7 204
Loans and advances to customers	227 357	(1 688)	225 669	–	225 669
Own originated loans and advances to customers securitised	7 776	–	7 776	–	7 776
Other loans and advances	310	–	310	–	310
Other securitised assets	100	–	100	–	100
Other assets	5 266	–	5 266	–	5 266
	409 896	**(9 627)**	**400 269**	**(9 362)**	**390 907**
Liabilities					
Deposits by banks	33 021	(643)	32 378	–	32 378
Derivative financial instruments	19 852	(7 296)	12 556	(3 495)	9 061
Other trading liabilities	1 667	–	1 667	–	1 667
Repurchase agreements and cash collateral on securities lent	7 825	–	7 825	(5 552)	2 273
Customer accounts (deposits)	305 085	(1 688)	303 397	–	303 397
Debt securities in issue	5 823	–	5 823	–	5 823
Liabilities arising on securitisation of own originated loans and advances	673	–	673	–	673
Other liabilities	5 995	–	5 995	–	5 995
Subordinated liabilities	13 180	–	13 180	–	13 180
	393 121	**(9 627)**	**383 494**	**(9 047)**	**374 447**

Restatements

The group had previously offset an amount of loans payable to group companies against loans receivable from group companies in the line items “Loans to group companies” included in assets.

The presentation was amended in the March 2017 annual financial statements.

The restatements to the balance sheet line items in the current period are noted below:

At 30 September R’million	2016
Restated	
Loans to group companies	14 076
Loans from group companies	6 328
Total assets	417 736
Total liabilities	384 590
As previously reported	
Loans to group companies	7 748
Loans from group companies	–
Total assets	411 408
Total liabilities	378 262
Change to previously reported	
Loans to group companies	6 328
Loans from group companies	6 328
Total assets	6 328
Total liabilities	6 328

The above changes had no impact on the income statement, net assets or the net cash flows.

Notes

Notes