Out of the Ordinary

Investec

Annual Report

Investec Limited group and company annual financial statements

2018

Corporate information

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Internet address

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Registration number

Registration number 1925/002833/06

Auditors

KPMG Inc.
Ernst & Young Inc.

Sponsors

Investec Bank Limited
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PO Box 785700 Sandton 2196

Transfer secretaries

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Directorate

Refer to page 109.

Contact details

For contact details for Investec Limited offices refer to page 241.

For queries regarding information in this document

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Cross reference tools

1

Audited information

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

2

Page references

Refers readers to information elsewhere in this report

3

Website

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

4

Corporate responsibility

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

5

Reporting standard

Denotes our consideration of a reporting standard

Contents

Investec Limited in perspective

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

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

Operating structure

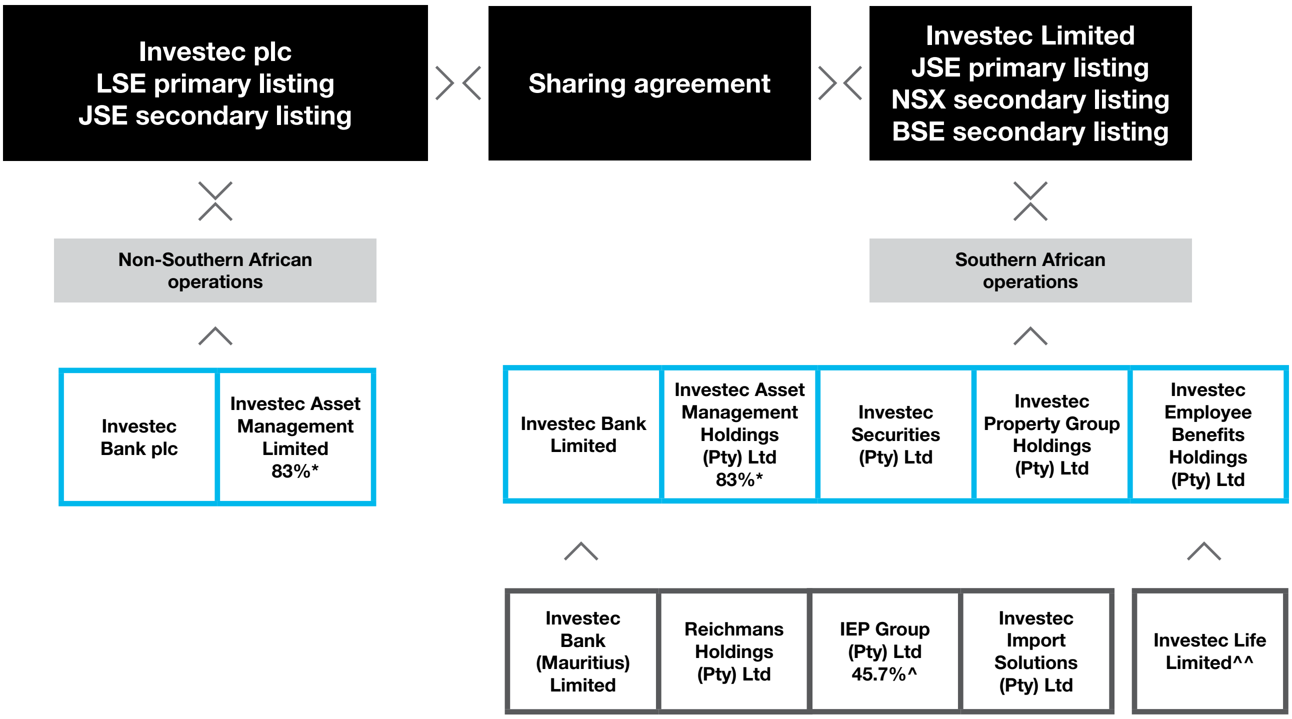
During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

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 holding company of our businesses in Southern Africa and Mauritius and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange (JSE) (since 1986) and Investec plc is listed on the LSE (since 2002).

All references in this report to the group relate to Investec Limited, whereas references to the Investec group relate to the combined DLC group comprising Investec plc and Investec Limited.

Our DLC structure and main operating subsidiaries as at 31 March 2018



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

* *17% held by senior management in the company (2017:16%).*

^ *54.3% held by third party investors in the company together with senior management of the business (31 March 2017: 55%).*

^^ *Previously Investec Employee Benefits Limited.*

Salient features of the DLC structure

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

Overview of the activities of Investec Limited

(continued)

Asset Management

At Investec Asset Management, we believe in investing in a better tomorrow. We want to assist people around the globe to retire with dignity or meet their financial objectives by offering specialist, active investment expertise. We are a patient, organic, long-term business offering organically-developed investment capabilities through active segregated mandates or mutual funds to sophisticated clients. Our clients include some of the world's largest private and public sector pension funds, financial institutions, corporates, foundations, central banks and intermediaries serving individual investors. Our business is to manage our clients' investments to the highest standard possible by exceeding their investment and client service expectations.

It all began in South Africa in 1991. After more than twenty-seven years, we have grown to become a successful global investment management firm from the emerging markets. We continue to develop an owner culture and are committed to building a long-term intergenerational business.

Our investment team, of over 200 investment professionals, applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our clients around the globe. These teams are supported by our global investment and operational structure.

We manage approximately R1.7 trillion assets globally, with R573 billion managed by our South African business.

Wealth & Investment

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes.

Investec Wealth & Investment is one of the largest private client investment managers in South Africa.

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

We manage approximately R932 billion assets globally, with R318 billion managed by our South African business.

Specialist Banking

Our specialist teams are well positioned to provide services for both personal and business needs across Corporate and Institutional Banking, Investment 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

Corporate and Institutional Banking activities

- Treasury and trading services
- Specialised lending, funds and debt capital markets
- Institutional research, sales and trading
- 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, institutional stockbroking, advisory, trade finance, imports solutions and derivatives business.

Investment activities

- Principal investments
- Property investment and fund management

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 Proprietary Limited (IEP Group). The bank holds a 45.7% stake in the IEP Group alongside other strategic investors who hold the remaining 54.3%.

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

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

Private Banking activities

- Transactional banking and foreign exchange
- Lending
- Deposits
- Investments

Our Private Banking division positions itself as an '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

Our operational footprint

Asset Management

Value proposition

- Organically build an independent global platform from an emerging market base
- Independently managed entity within the Investec group
- Competitive investment performance in chosen specialities
- Global approach to:
  - Investing
  - Client base
  - Operations platform
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership.

Specialist Banking

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.

Wealth & Investment

Value proposition

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

Business leaders

Asset Management

Hendrik du Toit^

Wealth & Investment

Henry Blumenthal

Specialist Banking

Richard Wainwright

Where we operate

South Africa

Strong brand and positioning

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

Top wealth manager with the ability to leverage off the global platform

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

^ *Per the group's announcement made on 6 February 2018, John Green and Mimi Ferrini assumed the roles of deputy CEOs of Investec Asset Management from 1 April 2018, and from 1 October 2018 will become joint CEOs of the business.*

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

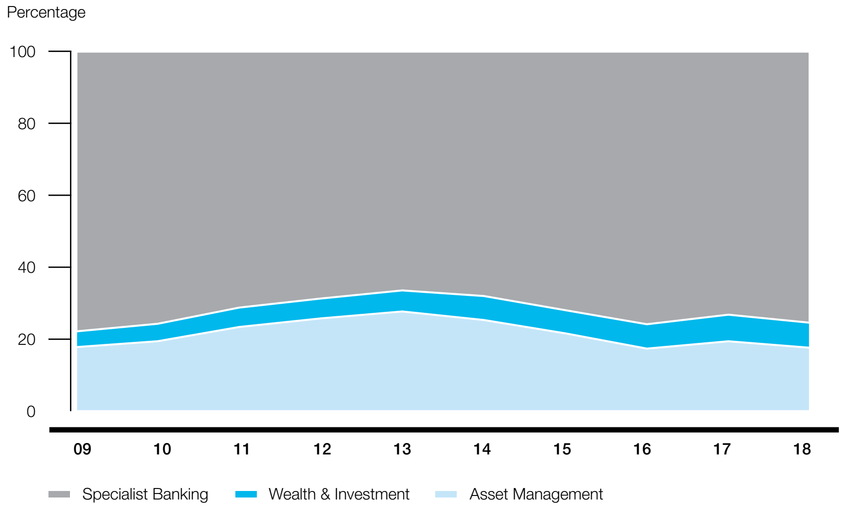
The Specialist Bank reported operating profit* of R5 457 million (2017: R5 091 million), supported by loan book growth and sound client activity.

Asset management operating profit* amounted to R1 275 million (2017: R1 351 million) with lower performance fees offsetting an increase in annuity income.

The Wealth & Investment business posted operating profit* of R503 million (2017: R514 million) with an increase in annuity fees offset largely by lower brokerage volumes.

Total operating profit^ increased 3.6% to R6 806 million (2017: R6 567 million).

Contribution to operating profit*



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

Financial performance

2018	2017
R5 490mn	R4 350mn

Headline earnings attributable to ordinary shareholders increased 26.2%

2018	2017
52.8%	52.3%

Cost to income ratio remains stable

2018	2017
0.28%	0.29%

Credit loss ratio remains at the lower end of its long-term average trend

2018	2017
R116.5bn	R117.6bn

Cash and near cash decreased by 0.9%

Highlights

(continued)

Financial performance *(continued)*

2018	2017
R256.7bn	R236.2bn

Core loans and advances increased 8.7%

2018	2017
R321.8bn	R303.5bn

Customer deposits increased 6.0%

2018	2017
R910.2bn	R908.2bn

Third party assets under management increased 0.2%

2018	2017
77.4%	75.0%

Ratio of loans and advances to customers as a percentage of customer deposits remains strong

2018	2017
9.3 times	9.8 times

Gearing ratios remain low

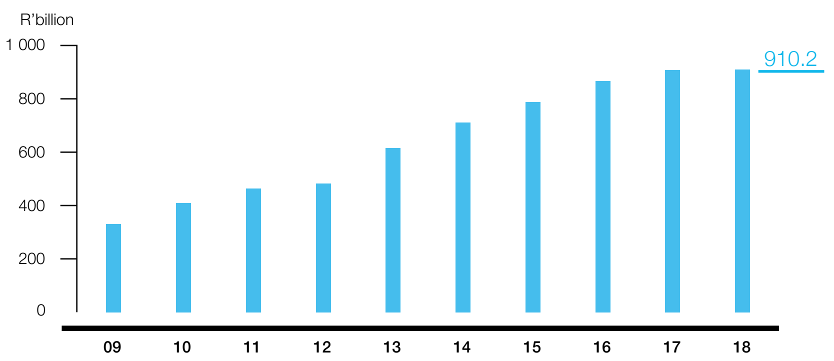
Other financial features

R'million	31 March 2018	31 March 2017	% change
Headline earnings	5 490	4 350	26.2%
Total capital resources (including subordinated liabilities)	66 292	60 376	9.8%
Total equity	51 279	46 571	10.1%
Total assets	617 710	586 432	5.3%

Total operating and annuity income^

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

Momentum in building our third party assets under management continues



We have realigned our business model over the past few years by building capital light revenues

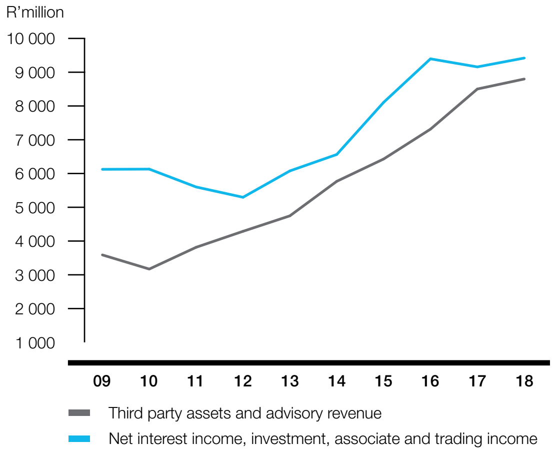
Sustainable business model

Capital light businesses

R8 798 million
48% of total revenue

Net fees and commissions of
R8 786 million
48% of total revenue

Other of
R12 million
0% of total revenue



Capital intensive businesses

R9 419 million
52% of total revenue

Net interest income of
R7 269 million
40% of total revenue

Investment and associate income of
R1 777 million
10% of total revenue

Trading income of
R373 million
2% of total revenue

Third party asset management and advisory revenue

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

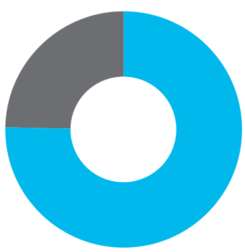
- Containing costs
- Maintaining credit quality
- Strictly managing risk and liquidity.

Net interest income, investment, associate and trading income

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

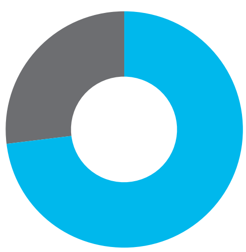
Three distinct business areas with diverse revenue streams supporting a large recurring revenue base amounting to 81.4% of operating income

Contribution to operating profit*



31 March 2018

Specialist Banking	75.4%
Asset Management and Wealth Management businesses	24.6%



31 March 2017

Specialist Banking	73.2%
Asset Management and Wealth Management businesses	26.8%

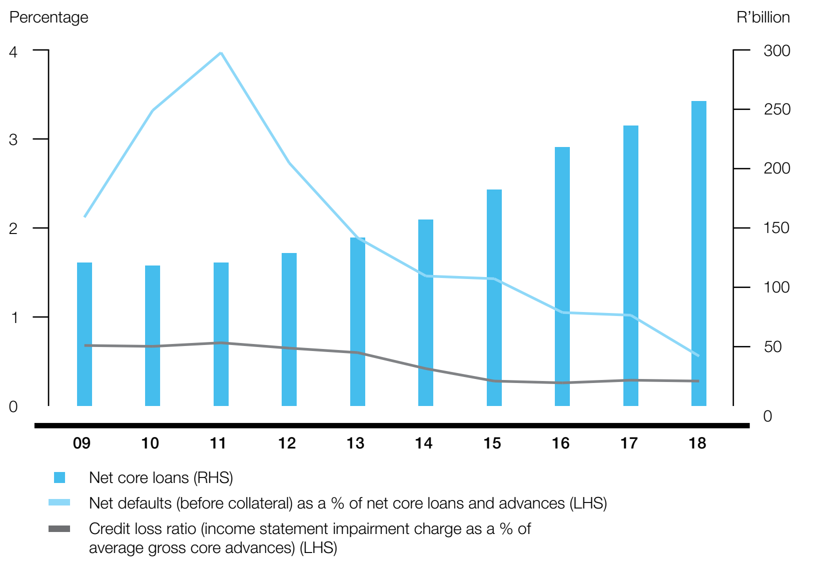
* *Before taxation, headline adjustments and group costs and after other non-controlling interests.*

Impairment levels have increased, however, the credit loss ratio remains at the lower end of its long-term average trend

Since 31 March 2017:

- Core loans and advances increased 8.7% to R256.7 billion
- Default loans (net of impairments) as a percentage of core loans and advances decreased from 1.02% to 0.56%
- The credit loss ratio amounted to 0.28% (2017: 0.29%)
- Net defaults (after impairments) remain adequately collateralised.

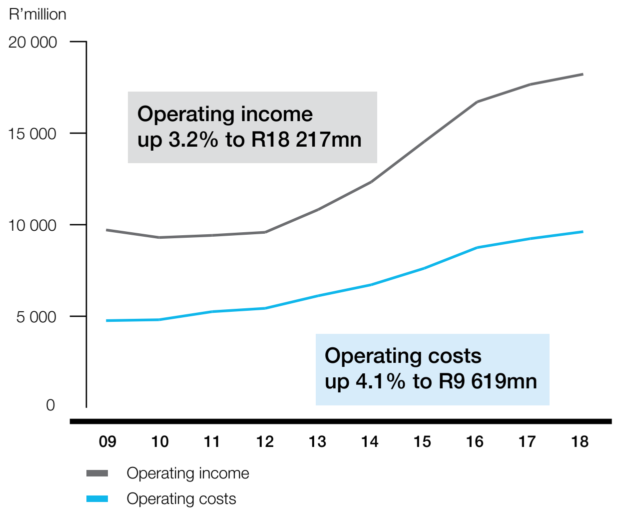
Default and core loans



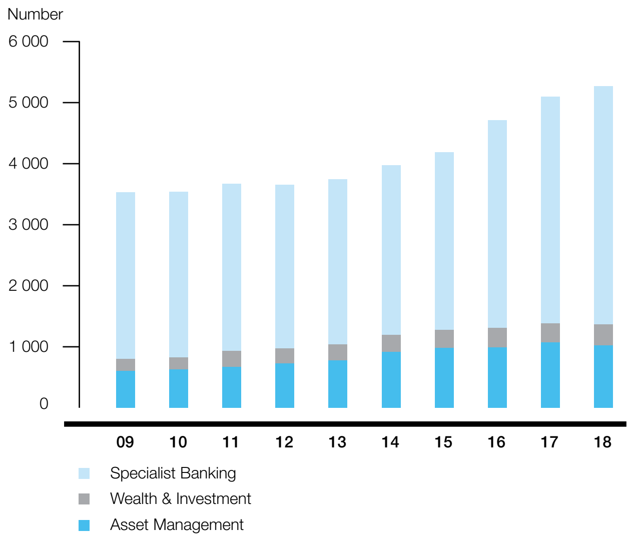
Costs increased largely due to planned investment across the business

Operating costs increased reflecting: continued investment into IT and digital initiatives and higher headcount across divisions to support increased activity and growth strategies; partly offset by the pending acquisition of the head office building and the related rental provision no longer required.

Jaws ratio



Headcount*



* *Permanent headcount and includes acquisitions.*

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25.0%, with the year-end ratio at 36.2%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Reduced reliance on wholesale funding.

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

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

Investec has maintained a stable capital base

A well-established liquidity management philosophy remains in place

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

Advances as a percentage of customer deposits amounted to 77.4% (31 March 2017: 75.0%)

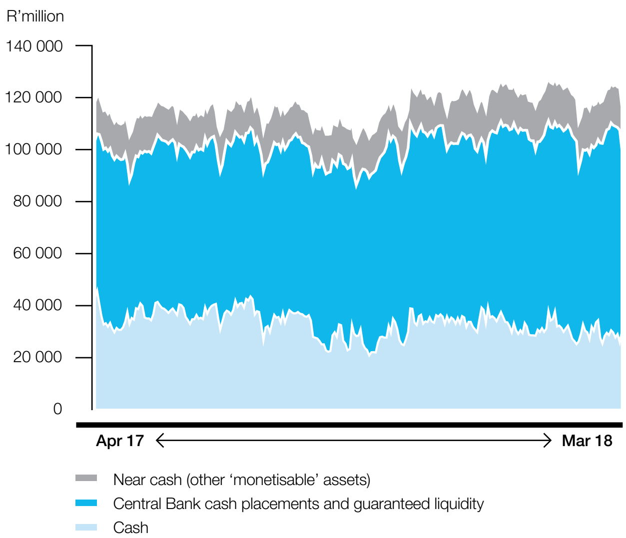
We ended the year with the three month average of Investec Bank Limited's (solo basis) liquidity coverage ratio at 133.9% (31 March 2017: 130.0%) and net stable funding ratio at 108.4%, comfortably ahead of the minimum regulatory requirements.

Capital adequacy and tier 1 ratios

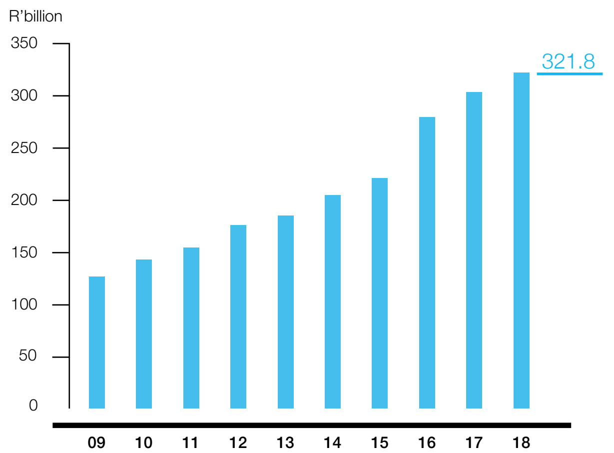
	31 March 2018 (Basel III)			31 March 2017 (Basel III)		
	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio	Capital adequacy ratio	Tier 1 ratio	Common equity tier 1 ratio
Investec Limited	14.6%	11.0%	10.2%	14.1%	10.7%	9.9%
Investec Bank Limited	15.5%	11.2%	10.9%	15.4%	11.1%	10.8%

Continued to grow our retail deposit franchise

Cash and near cash trend



Customer accounts (deposits)



Financial review

An overview of the operating environment impacting our business.

South Africa

Our views

South Africa's GDP improved in 2017, assisted by a strengthening in global demand and a recovery from severe drought conditions in the northern provinces.

Calendar year 2017	Calendar year 2016
1.3% Economic growth	**0.6%** Economic growth
Calendar year 2017	**Calendar year 2016**
R56 020 GDP per capita	**R56 054** GDP per capita

The global economy continued to strengthen meaningfully on a broad basis as trade lifted, along with industrial production and confidence, while global lending conditions were favourable. This saw South Africa's gross domestic product (GDP) growth reach 1.3% year-on-year in calendar year 2017 from 0.6% year-on-year in calendar year 2016 as global demand strengthened, while recovery from severe drought conditions also assisted notably. Interest rates remained accommodative in many economies, with South Africa experiencing its first interest rate cut since 2012. The upturn in the commodity cycle persisted, a key driver of the lift in South Africa's 2017 GDP growth, with equity markets reaching new highs globally as the world's economic outlook brightened. Global risk-on remained a feature, and the lengthy bull market saw emerging markets experience strong foreign portfolio inflows, benefiting the Rand, while low bond yields in advanced economies and low volatility supported bourses globally.

However, the lengthy low volatility period in financial markets was broken early in 2018, with a correction that reflected sudden global risk-off as a steeper than previously anticipated rise in future US interest rates was factored into the markets on Federal Open Market Committee (FOMC) commentary. Subsequently, stock markets have recovered some lost ground, as the correction has proved welcome in an environment that was becoming overblown, where fears even of a financial crisis were building. The Rand saw substantial strength from the end of December 2017 on the election of Cyril Ramaphosa as leader of the African National Congress (ANC) and then as South African President, with a reduction of over R2.00/USD of the risk premium inherent in the domestic currency.

South Africa has lost ground on an institutional basis over the past 10 years, resulting in weaker economic growth and intense pressure on government finances. Indeed, the World Economic Forum's (WEF) Global Competitiveness Survey, shows South Africa's institutional ranking has dropped to 76th, from 39th in 2007/08. Major slippages occurred particularly in perceptions of auditing and reporting standards, efficacy of corporate boards, perceptions of minority shareholder rights, efficacy of the legal framework and in judicial independence. Additionally, irregular payments and bribes and favouritism in decisions of government officials were seen to have risen substantially, and public trust in politicians declined as the corruption and state capture infesting the country came to a head.

Key among the new President's goals is to eradicate corruption and state capture, repair the financial health of the State Owned Entities (SOEs) and fiscal consolidation. President Ramaphosa's cabinet reshuffle in early 2018 saw the key appointments of Nhlanhla Nene and Pravin Gordhan (as Finance and Public Enterprises Ministers respectively).

The closer working relationship between government, labour and business continues to bear fruit, with President Ramaphosa quick to point out the necessity of repairing investor confidence and business sentiment, in order to quicken economic growth via increased private sector fixed investment and job creation. Rapid, sustained, private sector led economic growth of 5% to 7% plus remains the key to reducing unemployment and inequality, and eliminating poverty in South Africa.

Global stock markets

Our views

Global equity markets enjoyed a positive 2017 overall.

The MSCI World index ended 2017 20% up on year opening levels with the index continuing to climb right through to late January 2018. From that point a reappraisal of risk sentiment, amidst fears over the pace of central bank policy tightening, particularly at the Federal Reserve, saw a period of increased volatility. In addition, from early March, trade war worries increasingly became a concern. The MSCI World index closed the first quarter of 2018 8.1% off its January 2018 high. On Wall Street, the S&P500 was off to a similar extent.

European equity markets saw a more tentative and somewhat choppier path through 2017, ending the year 6% up on year opening levels after much intervening volatility, not helped by a string of high stake elections in the likes of France, Germany and the Netherlands and with an independence referendum (deemed illegal by the Spanish authorities) in Catalonia, Spain. At the start of 2018 European equity markets rose robustly amidst hopes of a more buoyant growth backdrop. The Eurostoxx 50 index rose 5% over the first three weeks of the year, but then turned sharply lower amidst the hit to the global risk backdrop that followed at the end of January.

The back end of 2017 saw a rally in South African domestic shares as the election of Cyril Ramaphosa as leader of the ANC led to renewed enthusiasm about the growth prospects for South Africa. There has so far been little hard evidence of a turnaround on the ground but longer-term growth forecasts have been revised. While business confidence lifted in early 2018, it is not yet at levels that indicate a faster pace of business activity.

Operating environment

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

	As at 31 March 2018	As at 31 March 2017	% change	Average over the year 1 April 2017 to 31 March 2018
Market indicators				
FTSE All share	3 894	3 990	(2.4%)	4 062
JSE All share	55 475	52 056	6.6%	56 405
S&P	2 641	2 363	11.8%	2 550
Nikkei	21 454	18 909	13.5%	20 977
Dow Jones	24 103	20 663	16.6%	22 923
Rates				
SA R186	7 99%	8.84%		8.63%
Rand overnight	6.76%	6.97%		6.81%
SA prime overdraft rate	10.00%	10.50%		10.32%
JIBAR – three month	6.87%	7.36%		7.16%
US 10 year	2.74%	2.39%		2.41%
Commodities				
Gold	US$1 324/oz	US$1 245/oz	6.3%	US$1 285/oz
Brent Crude Oil	US$70/bbl	US$53/bbl	32.1%	US$58/bbl
Platinum	US$936/oz	US$940/oz	(0.4%)	US$948/oz
Macro-economic				
South Africa GDP (% change over the period)	1.3%	0.6%		
South Africa per capita GDP (calendar year, historical revised, real value in Rands at constant 2010 prices)	56 020	56 054	(0.1%)	

Sources: Burea for Economic Research, Bloomberg, IRESS, Johannesburg Stock Exchange, SARB Quarterly Bulletin, World Economic Forum.

Financial review

(continued)

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

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

Asset Management

Key income drivers

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

Income impacted primarily by

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

Income statement – primarily reflected as

- Fees and commissions.

Wealth & Investment

Key income drivers

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

Income impacted primarily by

- Movement in the value of assets in underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.

Income statement – primarily reflected as

- Fees and commissions.

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

Specialist Banking

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

Risks relating to our operations

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

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

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

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

15 – 17

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

16 – 17

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

36

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

35 – 57

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

36 and 141 – 147

Unintended **environmental** (including climate change)**, social and economic risks** could arise in our lending and investment activities.

58 – 60

We may be exposed to **investment risk** in our unlisted and listed investment portfolios.

63 – 66

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

67 – 72

Liquidity risk may impair our ability to fund our operations.

72 – 74

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

75 – 78

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

75 – 78

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

75 – 78

Employee misconduct could cause harm that is difficult to detect.

78

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

78 – 79

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

79

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

79 – 89

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

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

See Investec's 2018 integrated annual report on our website.

Overview

Investec Limited posted an increase in headline earnings attributable to ordinary shareholders of 26.2% to R5 490 million (2017: R4 350 million). The balance sheet remains sound with a capital adequacy ratio of 14.6% (31 March 2017: 14.1%).

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2017.

Income statement analysis

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

Total operating income

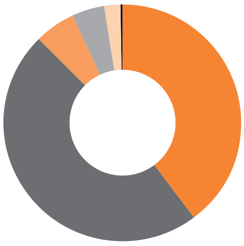
Total operating income before impairment losses on core loans and advances increased by 3.2% to R18 217 million (2017: R17 659 million). The various components of total operating income are analysed below.

R'million	31 March 2018	% of total income	31 March 2017	% of total income	% change
Net interest income	7 269	39.9%	7 107	40.2%	2.3%
Net fee and commission income	8 786	48.2%	8 497	48.1%	3.4%
Investment income	1 000	5.5%	1 248	7.1%	(19.9%)
Share of post taxation profit of associates	777	4.3%	306	1.7%	>100.0%
Trading income/(loss) arising from					
– customer flow	414	2.3%	492	2.9%	(15.9%)
– balance sheet management and other trading activities	(41)	(0.2%)	4	–	(>100.0%)
Other operating income	12	–	5	–	>100.0%
Total operating income before impairments	**18 217**	**100.0%**	**17 659**	**100.0%**	**3.2%**

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

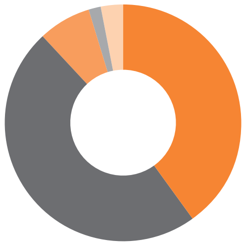
R'million	31 March 2018	% of total income	31 March 2017	% of total income	% change
Asset Management	3 222	17.7%	3 314	18.8%	(2.8%)
Wealth & Investment	1 557	8.5%	1 523	8.6%	2.2%
Specialist Banking	13 438	73.8%	12 822	72.6%	4.8%
Total operating income before impairments	**18 217**	**100.0%**	**17 659**	**100.0%**	**3.2%**

% of total operating income before impairments



31 March 2018
R18 217 million total operating income before impairments

Net interest income	39.9%
Net fee and commission income	48.2%
Investment income	5.5%
Share of post taxation profit of associates	4.3%
Trading income arising from customer flow	2.3%
Trading income arising from balance sheet management and other trading activities	(0.2%)
Other operating income	0.0%



31 March 2017
R17 659 million total operating income before impairments

Net interest income	40.2%
Net fee and commission income	48.1%
Investment income	7.1%
Share of post taxation of associates	1.7%
Trading income arising from customer flow	2.9%
Trading income arising from balance sheet management and other trading activities	0.0%
Other operating income	0.0%

Net interest income

Net interest income increased by 2.3% to R7 269 million (2017: R7 107 million) driven by sound levels of lending activity across the banking businesses. This was somewhat offset by the roll off of high yielding debt securities and increased subordinated debt.

For a further analysis of interest received and interest paid refer to page 179.

Net fee and commission income

Net fee and commission income increased by 3.4% to R8 786 million (2017: R8 497 million) supported by continued growth and activity levels in the private banking and corporate businesses; as well as an increase in annuity fees in the Asset Management and Wealth & Investment businesses.

For a further analysis of net fee and commission income refer to page 180.

Investment income

Investment income decreased by 19.9% to R1 000 million (2017: R1 248 million) as a result of a weaker performance from the unlisted direct investment portfolio as well as the group's investments in its listed property funds. The banks client-driven equity portfolio performed well.

For a further analysis of investment income refer to pages 180 to 181.

Share of post taxation profit of associates

Share of post taxation profit of associates of R777 million (2017: R306 million) primarily reflects earnings in relation to the bank's investment in the IEP Group.

Trading income

Trading income arising from customer flow decreased by 15.9% to R414 million (2017: R492 million) as consequence of losses incurred on Steinhoff (refer to page 31 for additional information). Trading income from other trading activities reflected a loss of R41 million (2017: R4 million income) predominantly impacted by foreign currency translation.

Impairment losses on loans and advances

Impairments on loans and advances increased from R659 million to R729 million, however, the credit loss ratio on average core loans and advances reduced to 0.28% (2017: 0.29%), 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 0.56% (31 March 2017: 1.02%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 2.49 times (2017: 1.81 times).

For further information on asset quality refer to pages 49 to 57.

Total operating costs

The ratio of total operating costs to total operating income amounted to 52.8% (2017: 52.3%). Total operating costs at R9 619 million were 4.1% higher than the prior year (2017: R9 238 million) reflecting continued investment into IT and digital initiatives as well as higher headcount to support increased activity and growth strategies; partly offset by the pending acquisition of the head office building and the related rental provision no longer required.

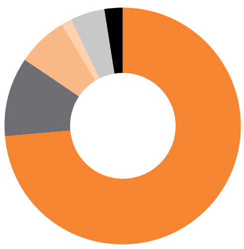
The various components of total operating costs are analysed below.

R'million	31 March 2018	% of total operating costs	31 March 2017	% of total operating costs	% change
Staff costs (including directors' remuneration)	(7 101)	73.8%	(6 412)	69.4%	10.7%
Business expenses	(1 028)	10.7%	(996)	10.8%	3.2%
Equipment (excluding depreciation)	(668)	6.9%	(627)	6.8%	6.5%
Premises (excluding depreciation)	(138)	1.4%	(495)	5.3%	(72.1%)
Marketing expenses	(457)	4.8%	(505)	5.5%	(9.5%)
Depreciation	(227)	2.4%	(203)	2.2%	11.8%
Total operating costs	**(9 619)**	**100.0%**	**(9 238)**	**100.0%**	**4.1%**

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

R'million	31 March 2018	% of total operating costs	31 March 2017	% of total operating costs	% change
Asset Management	(1 947)	20.2%	(1 963)	21.3%	(0.8%)
Wealth & Investment	(1 054)	11.0%	(1 009)	10.9%	4.5%
Specialist Banking	(6 345)	66.0%	(6 033)	65.3%	5.2%
Group costs	(273)	2.8%	(233)	2.5%	17.2%
Total operating costs	**(9 619)**	**100.0%**	**(9 238)**	**100.0%**	**4.1%**

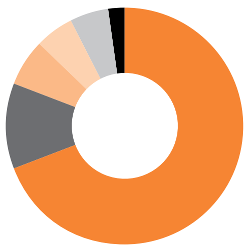
% of total operating costs



31 March 2018

R9 619 million total operating costs

Staff costs	73.8%
Business expenses	10.7%
Equipment	6.9%
Premises	1.4%
Marketing	4.8%
Depreciation	2.4%



31 March 2017

R9 238 million total operating costs

Staff costs	69.4%
Business expenses	10.8%
Equipment	6.8%
Premises	5.3%
Marketing	5.5%
Depreciation	2.2%

Taxation

Taxation declined significantly during the year following the release of tax provisions no longer required.

Operating profit

As a result of the foregoing factors, operating profit before goodwill and acquired intangibles increased by 1.4% to R7 869 million (2017: R7 762 million) and profit after tax increased by 17.7% to R7 365 million (2017: R6 259 million).

Balance sheet analysis

Since 31 March 2017:

- Total equity increased by 10.1% to R51.3 billion (31 March 2017: R46.6 billion), largely as a result of retained earnings
- Total assets increased by 5.3% to R617.7 billion (31 March 2017: R586.4 billion), largely as a result of an increase in core loans and advances.

Questions and answers

Hendrik du Toit **Asset Management**

Chief executive officer

Q. How has the operating environment impacted your business over the past financial year?

The global political environment remains uncertain. Notwithstanding this, markets have remained buoyant, thus supporting growth in our assets under management. The fundamentals for long-term growth in the asset management industry remain strong: the growing need for retirement savings and the growing wealth of developing economies are expanding the global pool of long-term savings – the key growth driver for our industry. These factors are expected to increase global assets under management from c. $85 trillion in 2016 to c. $145 trillion by 2025.
(Source: PricewaterhouseCoopers)

There are however multiple challenges facing our industry. These include the risk of a market correction, growing regulatory scrutiny, technological advancements and the need to justify value for money (especially against passive strategies). The result is fee pressure, rising fixed costs and increased investment in technology – in summary, a more competitive market in which excellence continues to be rewarded but mediocrity punished.

One of the responses to the increased competitiveness of the asset management industry is consolidation in the market. In 2017, we saw deals that were motivated by expanding product range, increasing distribution footprint, cost synergies and adapting in response to the regulatory environment. However, Investec Asset Management remains firmly committed to its path of long-term organic growth.

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

Positive net inflows of £5.4 billion for the last 12 months and competitive investment performance were the highlights for the year. Our net flows were positive across all regions, largely driven by inflows from the Americas and Asia-Pacific regions. Our Advisor net flows were significant, in all regions, over the year.

Beyond our financial results, we have been devoting time to clarify our purpose and our impact as a global business, including owning the sustainability agenda. We want to ensure that we are responsible and sustainable in all our activities. We have a motivated and energetic team with a long-term orientation, which is organically built around, and focused on, excellence. Investment performance and clients are always our priority.

Following the announcement of the succession plan at Investec group, transition planning at Investec Asset Management is well underway. We have an orderly and well-executed transition in progress which will be completed by the end of the first half of the 2019 financial year. I am confident that my successors, John Green and Mimi Ferrini, will take Investec Asset Management to new heights during their tenure as Joint CEOs.

Q. What are your strategic objectives in the coming financial year?

Our fundamental strategic objectives and principles remain unchanged: we want to assist people around the globe to retire with dignity or to meet their financial objectives. We do this by offering organically developed investment capabilities through active segregated mandates or mutual funds to sophisticated clients. We operate globally in both the Institutional and Advisor space through five geographically defined client groups and have an approach to growth that is driven by sensible medium to long-term investment performance.

Over the coming financial year, we will endeavour to deliver competitive investment performance, scale our Multi-Asset and Quality capabilities and grow our presence in large markets, with a particular focus on North America, while maintaining the strong momentum we have in the Advisor market. We continue to evolve all our investment capabilities for the future, including building a compelling foundation for Alternatives.

Since the conclusion of the previous financial year, we have achieved positive momentum in respect of both inflows and investment performance. However, we are aware of the fundamental challenges that face our industry, and the possibility of a market correction. We recognise the need to offer value for money to our clients, and be able to explain how this value is delivered. We believe value is a combination of active long-term alpha, appropriate and relevant products, combined with a compelling service and pricing proposition.

Q. What is your outlook for the coming financial year?

At Investec Asset Management, we always think about the long term. We are organically building a long-term intergenerational business and as such concentrate less on short-term outcomes. We believe that we have created a sustainable, competitive long-term business and remain committed to being an active investment manager. We believe that the opportunity for growth in our industry over the next five years is substantial. Our momentum is positive and we are confident about our future.

Questions and answers

Henry Blumenthal **Wealth & Investment**

Geographical business leader

Q. How has the operating environment impacted your business over the past financial year?

The South African equity market has proven to be challenging, impacting brokerage volumes. An increase in volatility during the fourth quarter of the financial year has also had an impact on market returns.

On the other hand, the transition to a new leadership under President Cyril Ramaphosa has restored some confidence among investors by staving off the previously likely downgrade by rating agencies. A more stable Rand and lower inflation meant that the South African Reserve Bank was able to cut interest rates in March 2018 and this should provide some support for domestic equities. We have seen an increase in discretionary flows and increased appetite for some of our offshore products.

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

We continued to increase our digital offering across the proposition chain – from enhanced reporting and access, to domestic and global portfolio information and data. Our international offering remained a key focus and is one we believe is a core differentiator in the South African market.

We continue to source investments for distribution in all asset classes including alternative investments which play an important role in diversifying investment portfolios and are proving popular with high net worth clients.

Investec continues to gain global recognition as a leader in wealth management and private banking. Investec Wealth & Investment and Private Bank have been awarded, for the sixth year in a row by *Euromoney* and the fifth year in a row by the FT in London, the accolade as Best Private Bank and Wealth Manager in South Africa. The awards once again endorse the strategy of delivering banking and investments, locally and internationally, to our clients, in One Place.

Q. What are your strategic objectives in the coming financial year?

We believe the digital delivery of services will be central to the future investment management landscape. We will therefore continue to invest in and develop our digital channel, along with digital enhancements to our core service, so that we are well positioned to meet the needs of the increasing number of clients who prefer some or all of their service delivered digitally.

Our clients are internationally mobile individuals who want to access investments in a high-touch, high-tech manner and this understanding underpins our strategic initiatives, as we strive to remain the investment manager of choice. We will continue to focus on leveraging our efforts with the Private Bank to ensure ongoing enhancement of our offering of an integrated banking and investment solution, both locally and internationally.

Furthermore, we understand that a global view of investment means understanding the complexities that go with it. As investment managers it is our job to identify opportunities in a complex world and to help navigate the complexities on our clients' behalf. To this end we continue to build our skills in areas like alternative investments, fiduciary and tax, while developing technological solutions to expand our offering.

Regulation and compliance will also remain a key focus for the business.

Our strategic priorities continue to include a number of initiatives that are driven by our desire to deliver continuous improvement to our client service and business processes. This reflects our focus on growing organically, which can only be achieved by maintaining high standards of client service.

Q. What is your outlook for the coming year?

Whilst many of the uncertainties which the business and investors have faced over the last year will remain a feature of the coming year, we believe that our global investment strategy and asset allocation processes, together with the strength of our core businesses and our continuing investment for the future, will position us well.

Questions and answers

Richard Wainwright **Specialist Banking**

Geographical business leader

Q. How has the operating environment impacted your business over the past financial year?

The global economy saw positive momentum during the course of the year, whilst the South African environment remained volatile and uncertain particularly leading up to December 2017. Our clients, however, have remained active and our international offering in our client segments remains a strategic advantage.

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

The Specialist Bank in South Africa reported results ahead of the prior period. This reflects our continued client focus and co-ordination across divisions and implementation of enhanced strategies to penetrate our existing client base and grow our market share. This together with the combined book growth of 8.7% has resulted in a strong increase in our net interest and annuity income.

Investment in our digital and technology platforms continues as we remain competitive in our client facing digital platform, while simultaneously focusing on efficiencies in our core infrastructure. We moved up from fourteenth to second place ranking for our mobile app as ranked by MyPrivateBanking Research, and were recently awarded 'Best Digital bank in South Africa' by Global Finance publication.

We were recognised by the Financial Times of London as the best Private Bank and Wealth Manager in South Africa for the fifth year running. This is testament to our continued efforts to offer our private clients an international, streamlined offering.

The launch of Investec Life has been particularly successful, with over R1 billion in cover written in the first six months of its launch in 2017. Investec Life's approach to focus on simplification, personalisation and technical integration should continue to underpin growth in its business.

Q. What are your strategic objectives in the coming financial year?

Building and developing our client franchises remains integral to the growth and development of our organisation. We are committed to optimising the client experience as part of our strategy to deepen our relationships with our core client base and offer them a broad spectrum of services and products.

Our strategic focus in South Africa remains the following:

- Grow market share in our niche businesses
- Identify new sources of revenue across our existing client base
- Manage our liquidity ratios with an emphasis on retail funding initiatives
- Manage our capital to optimise returns
- Invest in our technology platforms, including in increased digitalisation of products and services
- Launch Investec for Business which is designed to deliver an integrated service offering to mid-market corporates.

Q. What is your outlook for the coming financial year?

We remain cautiously optimistic in light of the past year's challenging political environment. Our strategy to identify new sources of revenue in order to remain relevant, together with our sustainable level of recurring income and the uplift in business confidence, should continue to support momentum and reasonable levels of client activity in the Specialist Banking businesses.

Risk management and corporate governance

Risk management objectives are to:

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

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 30 to 89 with further disclosures provided in the annual financial statements section on pages 162 to 240.

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

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

Investec Limited also publishes separate Pillar III disclosures contained in a separate Pillar III report which can be found on our website.

Philosophy and approach to risk management

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

Risk awareness, control and compliance are embedded in all our day-to-day activities. As fundamental to our values, we have a strong and embedded risk and capital management culture.

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.

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

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

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

Overall summary of the year in review from a risk perspective

Our executive management are integrally involved in ensuring stringent management of risk, liquidity, capital and conduct. The primary aim is to achieve a suitable balance between risk and reward in our business, particularly in the context of prevailing market conditions and group strategy.

Succession of the group's executive management team has been an ongoing focus area for the board with the group's initial announcement in this regard made in November 2015. Since that date, the board has implemented a number of processes to ensure an orderly management succession process. Leadership and talent development remain high priority areas for the board and management of Investec.

As part of the group's orderly succession plan to move from founding members to the next generation of leadership, a number of board and management changes have been announced. These are disclosed in detail on page 98. The process has been well managed and there has been no negative impact on the group's operations.

Although the macro-environment continues to present challenges, the group was able to maintain sound asset performance and risk metrics throughout the year in review. We remained within our risk appetite limits/targets across various risk disciplines, with only a few exceptions that were noted and approved by the board.

Our risk appetite framework as set out on page 33 continues to be assessed in light of prevailing market conditions and group strategy.

Credit risk

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

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

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 13% of the book, other lending collateralised by property 2%, high net worth and private client lending 52% and corporate lending 33% (with most industry concentrations well below 5%). Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet, showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book.

Net core loans and advances grew by 8.7% to R257 billion (31 March 2017: R236 billion) with residential owner-occupied, private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.02% to 0.56% with absolute levels of defaults decreasing year on year due to asset write-offs mainly in the corporate portfolio. We reported an increase in the level of impairments taken, however, the credit loss ratio reduced to 0.28% (2017: 0.29%), remaining at the lower end of its long-term average trend. The group has minimal exposure to the agriculture and construction sectors in South Africa, and our overall on and off-balance sheet exposure to mining and resources amounts to 2% of our credit and counterparty exposures.

Investment risk

We believe that the IEP Group is well positioned to deliver value and grow. Overall, we remain comfortable with the performance of the majority of our equity investment portfolio, which comprise 4.9% of total assets.

Traded market risk

The local markets were impacted by various local factors, in particular, political policy uncertainty prior to the ANC elective conference in December 2017. The primary focus of the trading desks remains to facilitate the demand of our clients, with limited proprietary risk taken. This is reflected by the low levels of market risk exposures as well as VaR throughout the year. The 95% one-day VaR ended the year at R3.4 million, down R1.1 million from the previous year. Market risk exposures across all trading desks remained low throughout the year.

Balance sheet and liquidity risk

We maintained a strong liquidity position and continued to hold high levels of surplus liquid assets. During the past financial year, Investec Bank Limited responded to external political uncertainty by concluding its $600 million long-term foreign currency funding programme in September 2017. It raised a further $550 million using a combination of repos, sub-debt issuances and long-term cross currency swaps. The majority of our foreign currency funding is used to augment our already strong cash balances.

Investec grew its total customer deposits by 6.1% from R303 billion to R322 billion as at 31 March 2018. Cash and near cash amounted to R116.5 billion (31 March 2017: R117.6 billion). Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 133.9%, which is well ahead of the minimum regulatory level of 90% required. The NSFR has become a regulatory requirement as of January 2018. The NSFR for Investec Bank Limited (solo basis) amounted to 108.4% as at 31 March 2018, comfortably above the 100% regulatory minimum.

Capital management

Investec has continued to maintain a sound balance sheet with a low gearing ratio of 9.3 times and a core loans to equity ratio of 5.0 times. Our current leverage ratio is 7.5%.

We have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. We meet our current internal targets for total capital adequacy and our common equity tier 1 ratio to be in excess of 10%. Capital continued to grow and we are comfortable that credit growth is in line with our risk appetite framework and supported by sound risk metrics.

We believe that a common equity tier 1 ratio in excess of 10% is appropriate for our business, given our sound leverage ratios and solid capital light revenues. We will continue to build our business in a manner that maintains this target.

We have applied to the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank) for approval to implement the Foundation Internal Ratings-Based (FIRB) approach for certain wholesale portfolios, a transitional step to implementing the Advanced Internal Ratings-Based (AIRB) approach. Subject to the approval from the South African Prudential Authority, we expect to implement FIRB in 2019 in the calculation of credit risk regulatory capital. Through the preparation process for the application Investec has enhanced a number of rating systems and risk quantification models. Once approved, we are expecting a positive impact on capital ratios in applying this approach.

Conduct, operational and reputational risk

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. Our customer and market conduct committee continues to ensure that Investec maintains a client-focused and fair outcomes-based culture.

Financial and cyber crime remain high priorities, and Investec continually aims to strengthen its systems and controls in order to manage cyber risk. We are also focused on combating money laundering, as well as preventing bribery and corruption in order to ensure the safety of our clients' wealth and to meet our regulatory obligations.

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

On 11 December 2017 the group released an announcement on the Johannesburg Stock Exchange in relation to its exposures to Steinhoff International Holdings NV (Steinhoff), its subsidiaries and related entities. Trading and investment losses incurred in respect of these exposures amounted to R220 million in the current financial year, less than the estimate referred to in the December announcement. As noted in that announcement, Investec has credit exposures largely to Steinhoff Africa Holdings Proprietary Limited subsidiaries and Steinhoff Africa Retail Limited, which represent a small portion of the group's balance sheet. Based on the information currently available to the group, Investec is not expecting to suffer any losses on these exposures.

IFRS 9 is effective from 1 April 2018. IFRS 9 replaces IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. Investec confirmed to the South African Prudential Authority that we will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations. Further information on the impact of IFRS 9 is given in the accounting policies section on page 176. In addition, the group has published its detailed transitional disclosures on 29 June 2018 separately from its annual report and these can be found on the group's website.

The economy faced major headwinds throughout 2017 driven by escalating political risks which had negative effects on the real economy. Concerns over the South African economy persisted throughout the year and peaked ahead of the ANC National Elective Conference in December 2017. Subsequent to that, Cyril Ramaphosa was elected President of the ANC, the ruling party. The announcement of a change of leadership within the ruling party was favourably received by investors. In response to these developments, Moody's left South Africa's international long-term credit ratings unchanged at investment grade (Baa3), upgrading the sovereign's outlook from negative to stable ending the review for downgrade that started in November 2017.

Investec Bank Limited's ratings continued to track rating adjustments to the South African sovereign rating during the course of the year. The bank's national long-term ratings remain sound at Aa1.za from Moody's, AA(za) from Fitch and za.AA- from Standards & Poor's.

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

Salient features

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

Year to 31 March	2018	2017
Total assets (excluding assurance assets) (R'million)	476 639	456 836
Total risk-weighted assets (R'million)	338 484	329 808
Total equity (R'million)	51 279	46 571
Net core loans and advances (R'million)	256 702	236 225
Cash and near cash (R'million)	116 533	117 586
Customer accounts (deposits) (R'million)	321 823	303 470
Gross defaults as a % of gross core loans and advances	1.11%	1.52%
Defaults (net of impairments) as a % of net core loans and advances	0.56%	1.02%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.28%	0.29%
Structured credit investments as a % of total assets^	0.24%	0.40%
Banking book investment and equity risk exposures as a % of total assets^	4.87%	4.75%
Level 3 (fair value assets) as a % of total assets^	0.60%	0.83%
Traded market risk: one-day value at risk (R'million)	3.4	4.5
Core loans to equity ratio	5.0x	5.1x
Total gearing ratio**	9.3x	9.8x
Loans and advances to customers to customer deposits	77.4%	75.0%
Capital adequacy ratio	14.6%	14.1%
Tier 1 ratio	11.0%	10.7%
Common equity tier 1 ratio	10.2%	9.9%
Leverage ratio	7.5%	7.3%
Return on average assets#	1.28%	1.04%
Return on average risk-weighted assets#	1.79%	1.46%

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

Overall group risk appetite

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

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

Risk appetite and tolerance metrics	Positioning at 31 March 2018
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions	Capital light activities for Investec Limited contributed 48% to total operating income and capital intensive activities contributed 52%
• We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income amounted to 81.4% of total operating income. Refer to page 10 for further information
• We seek to maintain strict control over fixed costs and target a cost to income ratio of below 55%	The cost to income ratio amounted to 52.8%. Refer to page 9 for further information
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target, refer to page 89 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0%	We meet our capital targets, refer to page 89 for further information
• We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 5% of tier 1 capital (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in the bank's main operating geography (i.e. South Africa). The bank will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography	Refer to page 36 for further information
• We target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/ stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/ stressed scenario)	The credit loss ratio on core loans amounted to 0.28% and defaults net of impairments amounted to 0.56% of total core loans. Refer to page 49 for further information
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to R116.5 billion at year end representing 36.2% of customer deposits. Refer to page 69 for further information
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million	We meet these internal limits; refer to page 64 for further information
• We have moderate appetite for investment risk, and set a risk tolerance of less than 12.5% of tier 1 capital for our unlisted principal investment portfolio (excluding the IEP Group)	Our unlisted investment portfolio is R3 940 million (excluding the IEP group), representing 10.6% of total tier 1 capital. Refer to page 59 for further information
• Our operational risk management team focuses on improving business performance and compliance with regulatory requirements through review, challenge and escalation	Refer to pages 75 to 78 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to pages 78 and 79 for further information

Risk management

(continued)

An overview of our principal risks

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

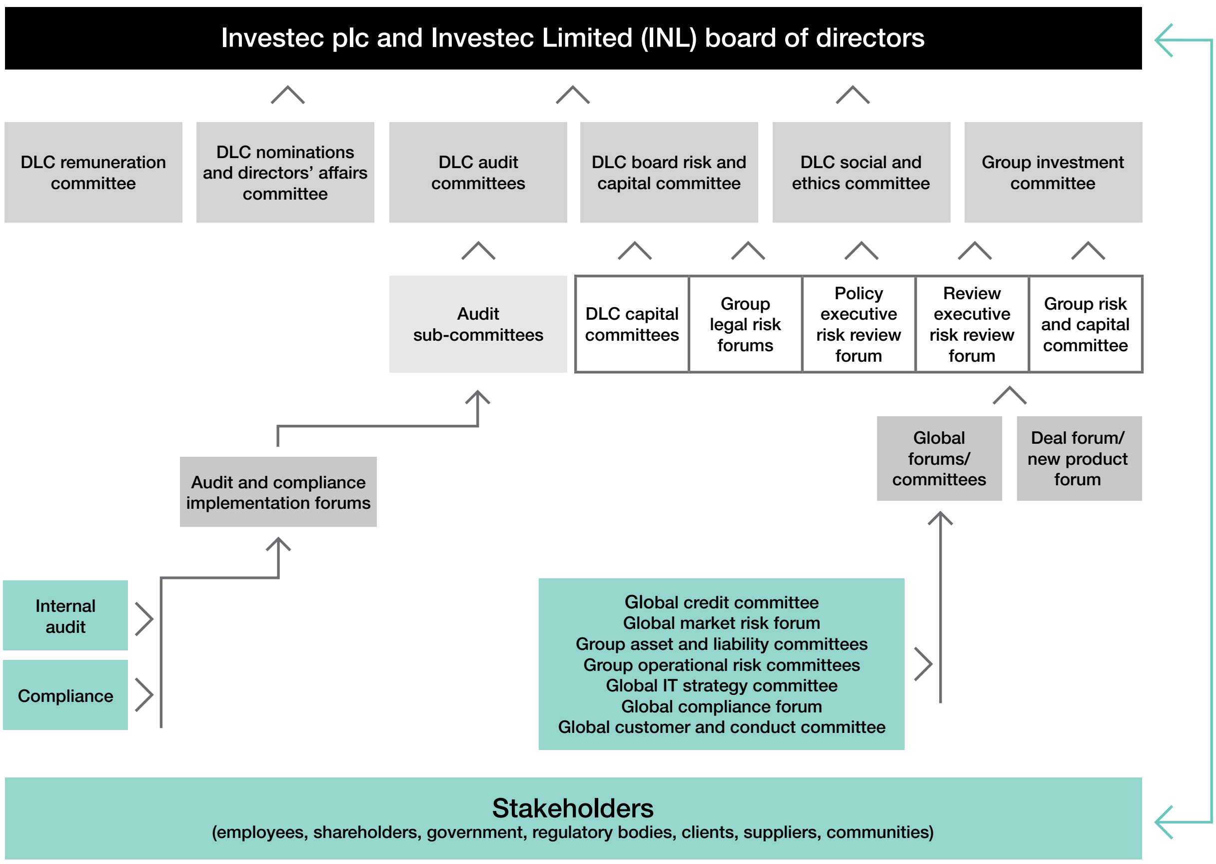
These principal risks have been highlighted on page 20.

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

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

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at group level. These committees and forums operate together with risk management and are mandated by the board. Our governance framework is highlighted below.



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

ALCO	Asset and liability committee	FCA	Financial Conduct Authority
BCBS	Basel Committee of Banking Supervision	GRCC	Group risk and capital committee
BIS	Bank for International Settlements	Policy ERRF	Policy executive risk review forum
BOM	Bank of Mauritius	Review ERRF	Review executive risk review forum
BRCC	Board risk and capital committee	South African Prudential Authority	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)

Credit and counterparty risk management

Credit and counterparty risk description

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

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

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument 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 will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

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

Credit and counterparty risk governance structure

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

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

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

Credit and counterparty risk appetite

The board has set a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to the GRCC, BRCC and the board on a regular basis.

Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, and any remedial actions agreed.

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

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

We have little appetite for unsecured debt and require good quality collateral in support of obligations (refer to page 57 for further information).

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

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

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

Concentration risk

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

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

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

Country risk

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

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

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

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

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees and Policy ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions.

Corporate responsibility considerations

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

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

Refer to our corporate responsibility report on our website.

Management and measurement of credit and counterparty risk

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

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

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

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

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

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

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

Internal credit rating models have been developed to cover all material asset classes.

Internal credit rating models continue to be developed to cover all material asset classes. We have applied to the South African Prudential Authority for approval of the Foundation Internal Ratings-Based (FIRB) approach, a transitional step to implementing the Advanced Internal Ratings-Based (AIRB) approach. Subject to the South African Prudential Authority approval, we expect to implement FIRB in the calculation of credit risk regulatory capital. Through the preparation process for the application, Investec has enhanced a number of rating systems and risk quantification models. Once approved, we are expecting a positive impact on capital ratios in applying this approach.

Stress testing and portfolio management

Investec has embedded its stress testing framework which is a repeatable stress testing process, designed to identify and regularly test the bank's key 'vulnerabilities under stress'.

A fundamental part of the stress testing process is a full and comprehensive analysis of all the group's material business activities, incorporating views from risk, the business and the executive – a process called the 'bottom-up' analysis. Out of the 'bottom-up' analysis the Investec-specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio.

These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

Notwithstanding the form of the stress testing process, the framework should not impede the group from being able to be flexible and perform *ad hoc* stress tests, which by their nature need to be completed on request and in response to emerging risk issues.

Reviews are also undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk may also arise in other ways and it is the role of the global risk management function and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk – nature of activities

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

Lending collateralised by property

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

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

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 55 and 56.

Private client activities

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

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

Credit risk arises from the following activities:

- **Personal Banking** delivers products to enable target clients to create and manage their wealth. This includes private client mortgages, transactional banking, high net worth lending, offshore banking and foreign exchange
- **Residential Mortgages** provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs
- **Specialised Lending** provides tailored credit facilities to high net worth individuals and their controlled entities
- **Portfolio Lending** provides loans to high net worth clients against their investment portfolio, typically managed by Investec Wealth & Investment.

An analysis of the private client loan portfolio and asset quality information is provided on pages 55 and 56.

Corporate client activities

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

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

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

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

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

- **Corporate Loans:** provides senior secured loans to mid-to-large cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business based on both historical and forecast information. We typically act as transaction lead or arranger, and have a close relationship with management and sponsors
- **Corporate Debt Securities:** these are tradable corporate debt instruments, based on acceptable credit fundamentals typically with a medium-term hold strategy where the underlying risk is to and South African corporates.

This is a highly diversified, granular portfolio that is robust, and spread across a variety of geographies and industries

- **Acquisition Finance:** provides debt funding to proven management teams and sponsors, running small to mid-cap sized companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business based on both historical and forecast information. We typically lend on a bilateral basis and benefit from a close relationship with management and sponsors
- **Asset Based Lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund Finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is to South Africa where Investec can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities to fund vehicles are secured against undrawn limited partner commitments and/or the funds underlying assets. Fund manager loans are structured against committed fund management cash flows, the managers' investment stake in their own funds and when required managers' personal guarantees
- **Small Ticket Asset Finance:** provides funding to small and medium-sized corporates to support asset purchases and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed and is a direct obligation of the company
- **Large Ticket Asset Finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure
- **Power and Infrastructure Finance:** arranges and provides typically long-term financing for infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is a requirement for a strong upfront equity contribution from an experienced sponsor
- **Resource Finance:** debt arranging and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in South Africa as well as other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography. All facilities are secured by the borrower's assets and repaid from mining cash flows
- **Structured Credit:** these are bonds secured against a pool of assets, mainly UK residential mortgages or European or US corporate leverage loans. The bonds are typically investment grade rated, which benefit from a high-level of credit subordination and can withstand a significant level of portfolio defaults
- **Treasury Placements:** the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally.
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades approved shares on an approved basis. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **Customer trading activities to facilitate client lending and hedging**: our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have an exposure to foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked to market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 55 and 56.

Wealth & Investment

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

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

Asset Management

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

Asset quality analysis – credit risk classification and provisioning policy

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

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

Asset quality analysis – credit risk classification and provisioning policy *(continued)*

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

Credit risk mitigation

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

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

An analysis of collateral is provided on page 57.

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

In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

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

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

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

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

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

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

Further information on credit derivatives is provided on page 66.

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

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

Credit and counterparty risk year in review

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

Further information is provided in the financial review on pages 15 to 27.

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

Growth in the core loan book was moderate and grew by 8.7% to R257 billion (31 March 2017: R236 billion) with high net worth and specialised lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.02% to 0.56%, with absolute levels of defaults decreasing year on year due to asset write-offs mainly in the corporate portfolio.

We reported an increase in the level of impairments taken, however, the credit loss ratio reduced to 0.28% (2017: 0.29%), remaining at the lower end of its long-term average trend.

Lending collateralised by property

The majority of the property assets are commercial investment properties and are located in South Africa. This portfolio decreased by 2% during the year. Loan to value remain conservative and transactions are generally supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

Private client activities

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

Our high net worth client portfolio and residential mortgage book growth in particular has been encouraging with a total increase of 12.6% over the year.

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

Corporate client activities

We grew our corporate book by 6.8% as a result of increased lending activity by our mid-to-large corporate clients across a number of sectors. Our book remains well diversified across sectors and our State Owned Entities (SOEs) exposure is predominantly backed by government support.

Credit and counterparty risk information

Pages 30 to 41 describe where and how credit risk is assumed in our operations.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposures increased by 2.7% to R478 billion largely due to growth in loans and advances to customers, partially offset by a managed reduction in reverse purchase agreements and guarantees. Cash and near cash balances amount to R116.5 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.

R'million At 31 March	2018	2017	% change	Average*
Cash and balances at central banks	9 165	8 353	9.7%	8 759
Loans and advances to banks	19 620	35 026	(44.0%)	27 323
Non-sovereign and non-bank cash placements	9 993	8 993	11.1%	9 493
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	30 567	(20.8%)	27 392
Sovereign debt securities	62 403	47 822	30.5%	55 113
Bank debt securities	7 965	7 758	2.7%	7 862
Other debt securities	10 390	12 028	(13.6%)	11 209
Derivative financial instruments	6 858	6 358	7.9%	6 608
Securities arising from trading activities	698	463	50.8%	581
Loans and advances to customers (gross)	250 500	228 756	9.5%	239 628
Own originated loans and advances to customers securitised (gross)	7 636	8 679	(12.0%)	8 158
Other loans and advances (gross)	290	336	(13.7%)	313
Other assets	3 363	2 757	22.0%	3 060
Total on-balance sheet exposures	**413 098**	**397 896**	**3.8%**	**405 497**
Guarantees^	10 591	15 753	(32.8%)	13 172
Contingent liabilities, committed facilities and other	54 929	52 444	4.7%	53 687
Total off-balance sheet exposures	**65 520**	**68 197**	**(3.9%)**	**66 859**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**478 618**	**466 093**	**2.7%**	**472 356**

* *Where the average is based on a straight-line average.*
^ *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 counter-party exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2018				
Cash and balances at central banks	9 165	22		9 187
Loans and advances to banks	19 620	–		19 620
Non-sovereign and non-bank cash placements	9 993	–		9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	–		24 217
Sovereign debt securities	62 403	–		62 403
Bank debt securities	7 965	–		7 965
Other debt securities	10 390	–		10 390
Derivative financial instruments	6 858	5 705		12 563
Securities arising from trading activities	698	11 591		12 289
Investment portfolio	–	6 928	1	6 928
Loans and advances to customers	250 500	(1 428)	2	249 072
Own originated loans and advances to customers securitised	7 636	(6)	2	7 630
Other loans and advances	290	(25)	2	265
Other securitised assets	–	299	3	299
Interest in associated undertakings	–	6 495	1	6 495
Deferred taxation assets	–	983		983
Other assets	3 363	9 942	4	13 305
Property and equipment	–	2 973		2 973
Investment properties	–	19 439		19 439
Goodwill	–	211		211
Intangible assets	–	412		412
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	141 071		141 071
Total on-balance sheet exposures	**413 098**	**204 612**		**617 710**

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

R'million	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2017				
Cash and balances at central banks	8 353	–		8 353
Loans and advances to banks	35 026	–		35 026
Non-sovereign and non-bank cash placements	8 993	–		8 993
Reverse repurchase agreements and cash collateral on securities borrowed	30 567	–		30 567
Sovereign debt securities	47 822	–		47 822
Bank debt securities	7 758	–		7 758
Other debt securities	12 028	–		12 028
Derivative financial instruments	6 358	3 484		9 842
Securities arising from trading activities	463	13 857		14 320
Investment portfolio	–	6 502	1	6 502
Loans and advances to customers	228 756	(1 204)	2	227 552
Own originated loans and advances to customers securitised	8 679	(6)	2	8 673
Other loans and advances	336	(26)	2	310
Other securitised assets	–	173	3	173
Interest in associated undertakings	–	5 514	1	5 514
Deferred taxation assets	–	738		738
Other assets	2 757	9 283	4	12 040
Property and equipment	–	762		762
Investment properties	–	18 688		18 688
Goodwill	–	211		211
Intangible assets	–	508		508
Non-current assets classified as held for sale	–	456	1	456
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	129 596		129 596
Total on-balance sheet exposures	**397 896**	**188 536**		**586 432**

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.*

Gross credit and counterparty exposures by residual contractual maturity at 31 March 2018

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	9 165	–	–	–	–	–	9 165
Loans and advances to banks	18 335	515	234	536	–	–	19 620
Non-sovereign and non-bank cash placements	9 993	–	–	–	–	–	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	18 964	1 085	778	2 422	916	52	24 217
Sovereign debt securities	13 393	15 095	15 587	5 167	6 012	7 149	62 403
Bank debt securities	225	–	59	4 638	2 530	513	7 965
Other debt securities	108	82	816	6 862	1 343	1 179	10 390
Derivative financial instruments	2 758	1 294	632	1 741	433	–	6 858
Securities arising from trading activities	–	–	2	696	–	–	698
Loans and advances to customers (gross)	24 879	14 744	20 829	129 486	31 082	29 480	250 500
Own originated loans and advances to customers securitised (gross)	–	6	10	28	623	6 969	7 636
Other loans and advances (gross)	–	–	290	–	–	–	290
Other assets	3 363	–	–	–	–	–	3 363
Total on-balance sheet exposures	**101 183**	**32 821**	**39 237**	**151 576**	**42 939**	**45 342**	**413 098**
Guarantees^	5 656	1 091	1 680	1 666	268	230	10 591
Contingent liabilities, committed facilities and other	11 838	2 141	3 474	15 944	3 066	18 466	54 929
Total off-balance sheet exposures	**17 494**	**3 232**	**5 154**	**17 610**	**3 334**	**18 696**	**65 520**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**118 677**	**36 053**	**44 391**	**169 186**	**46 273**	**64 038**	**478 618**

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

Detailed analysis of gross credit and counterparty exposures by industry

R'million	High net worth and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
At 31 March 2018						
Cash and balances at central banks	–	–	–	–	9 165	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	18	–	–	1 843
Reverse repurchase agreements and cash collateral on securities	658	–	–	–	–	89
Sovereign debt securities	–	–	–	–	62 403	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	1 312	–
Derivative financial instruments	–	–	16	1 121		28
Securities arising from trading activities	–	–	–	–	586	–
Loans and advances to customers (gross)	125 770	40 616	2 926	6 301	5 839	11 875
Own originated loans and advances to customers securitised (gross)	7 636	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	9
Total on-balance sheet exposures	**134 064**	**40 616**	**2 960**	**7 422**	**79 305**	**13 844**
Guarantees^	4 433	937	–	946	1	1 117
Contingent liabilities, committed facilities and other	33 952	4 308	788	569	1 025	787
Total off-balance sheet exposures	**38 385**	**5 245**	**788**	**1 515**	**1 026**	**1 904**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**172 449**	**45 861**	**3 748**	**8 937**	**80 331**	**15 748**
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	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)	109 210	40 546	2 895	5 364	5 900	8 523
Own originated loans and advances to customers securitised (gross)	8 679	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	62
Total on-balance sheet exposures	**118 475**	**40 546**	**2 901**	**5 787**	**64 162**	**9 455**
Guarantees^	3 481	1 104	179	648	1 744	689
Contingent liabilities, committed facilities and other	31 520	6 132	301	2 137	609	559
Total off-balance sheet exposures	**35 001**	**7 236**	**480**	**2 785**	**2 353**	**1 248**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**153 476**	**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 commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	–	9 165
19 620	–	–	–	–	–	–	–	–	–	19 620
2 203	1 728	2 048	504	201	–	396	30	155	867	9 993
22 502	–	934	–	–	–	–	–	34	–	24 217
–	–	–	–	–	–	–	–	–	–	62 403
7 965	–	–	–	–	–	–	–	–	–	7 965
3 199	–	1 993	–	955	–	1 917	–	–	1 014	10 390
4 722	198	123	–	387	–	135	42	59	27	6 858
–	–	–	–	–	–	–	–	–	112	698
18 229	4 881	9 339	1 954	6 812	–	2 815	3 017	4 552	5 574	250 500
–	–	–	–	–	–	–	–	–	–	7 636
–	–	–	–	–	290	–	–	–	–	290
384	2 004	456	136	–	–	8	72	1	293	3 363
78 824	**8 811**	**14 893**	**2 594**	**8 355**	**290**	**5 271**	**3 161**	**4 801**	**7 887**	**413 098**
149	81	1 059	128	466	–	1 016	145	52	61	10 591
3 902	1 344	950	313	176	–	2 251	55	1 545	2 964	54 929
4 051	**1 425**	**2 009**	**441**	**642**	**–**	**3 267**	**200**	**1 597**	**3 025**	**65 520**
82 875	**10 236**	**16 902**	**3 035**	**8 997**	**290**	**8 538**	**3 361**	**6 398**	**10 912**	**478 618**
–	–	–	–	–	–	–	–	–	–	8 353
35 026	–	–	–	–	–	–	–	–	–	35 026
2 130	1 561	2 504	247	201	–	758	–	553	336	8 993
28 991	–	785	–	–	–	–	–	–	41	30 567
–	–	–	–	–	–	–	–	–	–	47 822
7 758	–	–	–	–	–	–	–	–	–	7 758
3 245	–	1 555	–	708	–	2 383	–	–	2 437	12 028
5 059	128	123	3	323	–	138	37	14	35	6 358
–	38	–	–	–	–	–	33	–	71	463
17 640	2 814	11 577	3 953	5 760	–	3 249	1 512	4 010	5 803	228 756
–	–	–	–	–	–	–	–	–	–	8 679
–	–	–	–	–	336	–	–	–	–	336
673	1 470	236	268	–	–	–	40	–	8	2 757
100 522	**6 011**	**16 780**	**4 471**	**6 992**	**336**	**6 528**	**1 622**	**4 577**	**8 731**	**397 896**
3 769	990	984	94	86	–	1 702	125	64	94	15 753
2 984	1 810	858	538	303	–	3 088	68	1 117	420	52 444
6 753	**2 800**	**1 842**	**632**	**389**	**–**	**4 790**	**193**	**1 181**	**514**	**68 197**
107 275	**8 811**	**18 622**	**5 103**	**7 381**	**336**	**11 318**	**1 815**	**5 758**	**9 245**	**466 093**

Private client loans account for 67.4% of total gross core loans and advances, as represented by the industry classification 'high net worth and professional individuals and lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending and lending collateralised by property we undertake is provided on page 37, and a more detailed analysis of these loan portfolios are provided on pages 55 and 56.

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

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

A description of the type of corporate client lending we undertake is provided on pages 37 and 38, and a more detailed analysis of the corporate client loan portfolio is provided on pages 55 and 56.

Analysis of gross credit and counterparty exposures by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million At 31 March	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
High net worth and professional individuals	133 406	117 889	39 043	35 587	172 449	153 476
Lending collateralised by property – largely to private clients	40 616	40 546	5 245	7 236	45 861	47 782
Agriculture	2 926	2 895	822	486	3 748	3 381
Electricity, gas and water (utility services)	6 301	5 364	2 636	3 208	8 937	8 572
Public and non-business services	5 839	5 900	74 492	60 615	80 331	66 515
Business services	11 875	8 523	3 873	2 180	15 748	10 703
Finance and insurance	18 229	17 640	64 646	89 635	82 875	107 275
Retailers and wholesalers	4 881	2 814	5 355	5 997	10 236	8 811
Manufacturing and commerce	9 339	11 577	7 563	7 045	16 902	18 622
Construction	1 954	3 953	1 081	1 150	3 035	5 103
Corporate commercial real estate	6 812	5 760	2 185	1 621	8 997	7 381
Other residential mortgages	–	–	290	336	290	336
Mining and resources	2 815	3 249	5 723	8 069	8 538	11 318
Leisure, entertainment and tourism	3 017	1 512	344	303	3 361	1 815
Transport	4 552	4 010	1 846	1 748	6 398	5 758
Communication	5 574	5 803	5 338	3 442	10 912	9 245
Total	**258 136**	**237 435**	**220 482**	**228 658**	**478 618**	**466 093**

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 At 31 March	2018	2017
Loans and advances to customers as per the balance sheet	249 072	227 552
Add: own originated loans and advances securitised as per the balance sheet	7 630	8 673
Net core loans and advances to customers	**256 702**	**236 225**

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

An overview of developments during the financial year is provided on page 41.

R'million At 31 March	2018	2017
Gross core loans and advances to customers	**258 136**	**237 435**
Total impairments	**(1 434)**	**(1 210)**
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Net core loans and advances to customers	**256 702**	**236 225**
Average gross core loans and advances to customers	**247 786**	**228 155**
Current loans and advances to customers	253 868	232 902
Past due loans and advances to customers (1 – 60 days)	1 040	673
Special mention loans and advances to customers (1 – 90 days)	367	244
Default loans and advances to customers	2 861	3 616
Gross core loans and advances to customers	**258 136**	**237 435**
Current loans and advances to customers	253 868	232 902
Default loans that are current and not impaired	214	132
Gross core loans and advances to customers that are past due but not impaired	2 185	1 936
Gross core loans and advances to customers that are impaired	1 869	2 465
Gross core loans and advances to customers	**258 136**	**237 435**
Total income statement charge for impairments on core loans and advances	**(701)**	**(661)**
Gross default loans and advances to customers	2 861	3 616
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Defaults net of impairments	**1 427**	**2 406**
Aggregate collateral and other credit enhancements on defaults	3 552	4 343
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.56%	0.51%
Total impairments as a % of gross default loans	50.12%	33.46%
Gross defaults as a % of gross core loans and advances to customers	1.11%	1.52%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.56%	1.02%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.28%	0.29%

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

R'million At 31 March	2018	2017
Default loans that are current	583	1 254
1 – 60 days	1 581	1 477
61 – 90 days	160	184
91 – 180 days	234	473
181 – 365 days	425	717
> 365 days	1 285	428
Past due and default core loans and advances to customers (actual capital exposure)	**4 268**	**4 533**
1 – 60 days	446	256
61 – 90 days	22	23
91 – 180 days	34	66
181 – 365 days	134	476
> 365 days	1 035	177
Past due and default core loans and advances to customers (actual amount in arrears)	**1 671**	**998**

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

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 31 March 2018							
Watchlist loans neither past due nor impaired							
Total capital exposure	214	–	–	–	–	–	214
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 453	110	76	131	415	2 185
Amount in arrears	–	444	21	6	94	409	974
Gross core loans and advances to customers that are impaired							
Total capital exposure	369	128	50	158	294	870	1 869
Amount in arrears	–	2	1	28	40	626	697
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	–	1 120	152	121	460	83	1 936
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 31 March 2018 (based on total capital exposure)

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**1 040**	**–**	**–**	**–**	**–**	**1 040**
Special mention	**–**	**282**	**85**	**–**	**–**	**–**	**367**
Special mention (1 – 90 days)	–	282	2	–	–	–	284
Special mention (61 – 90 days and item well secured)	–	–	83	–	–	–	83
Default	**583**	**259**	**75**	**234**	**425**	**1 285**	**2 861**
Sub-standard	214	131	25	76	131	415	992
Doubtful	369	128	50	158	294	870	1 869
Total	**583**	**1 581**	**160**	**234**	**425**	**1 285**	**4 268**

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on actual amount in arrears)

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**417**	**–**	**–**	**–**	**–**	**417**
Special mention	**–**	**10**	**20**	**–**	**–**	**–**	**30**
Special mention (1 – 90 days)	–	10	–	–	–	–	10
Special mention (61 – 90 days and item well secured)	–	–	20	–	–	–	20
Default	**–**	**19**	**2**	**34**	**134**	**1 035**	**1 224**
Sub-standard	–	17	1	6	94	409	527
Doubtful	–	2	1	28	40	626	697
Total	**–**	**446**	**22**	**34**	**134**	**1 035**	**1 671**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (based on total capital exposure)

	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**673**	**–**	**–**	**–**	**–**	**673**
Special mention	**–**	**151**	**89**	**1**	**–**	**3**	**244**
Special mention (1 – 90 days)	–	151	1	1*	–	3*	156
Special mention (61 – 90 days and item well secured)	–	–	88	–	–	–	88
Default	**1 254**	**653**	**95**	**472**	**717**	**425**	**3 616**
Sub-standard	132	296	63	120	460	80	1 151
Doubtful	1 122	357	32	352	257	345	2 465
Total	**1 254**	**1 477**	**184**	**473**	**717**	**428**	**4 533**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (based on actual amount in arrears)

	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 is outside of Investec's control, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2018								
Current core loans and advances	**253 868**	**–**	**–**	**253 868**	**–**	**(630)**	**253 238**	**–**
Past due (1 – 60 days)	**–**	**1 040**	**–**	**1 040**	**–**	**(4)**	**1 036**	**417**
Special mention	**–**	**367**	**–**	**367**	**–**	**(2)**	**365**	**30**
Special mention (1 – 90 days)	–	284	–	284	–	(2)	282	10
Special mention (61 – 90 days and item well secured)	–	83	–	83	–	–	83	20
Default	**214**	**778**	**1 869**	**2 861**	**(795)**	**(3)**	**2 063**	**1 224**
Sub-standard	214	778	–	992	–	(3)	989	527
Doubtful	–	–	1 869	1 869	(795)	–	1 074	697
Total	**254 082**	**2 185**	**1 869**	**258 136**	**(795)**	**(639)**	**256 702**	**1 671**
At 31 March 2017								
Current core loans and advances	**232 902**	**–**	**–**	**232 902**	**–**	**(319)**	**232 583**	**–**
Past due (1 – 60 days)	**–**	**673**	**–**	**673**	**–**	**(2)**	**671**	**140**
Special mention	**–**	**244**	**–**	**244**	**–**	**(1)**	**243**	**21**
Special mention (1 – 90 days)	–	156	–	156	–	(1)	155	8
Special mention (61 – 90 days and item well secured)	–	88	–	88	–	–	88	13
Default	**132**	**1 019**	**2 465**	**3 616**	**(884)**	**(4)**	**2 728**	**837**
Sub-standard	132	1 019	–	1 151	–	(4)	1 147	581
Doubtful	–	–	2 465	2 465	(884)	–	1 581	256
Total	**233 034**	**1 936**	**2 465**	**237 435**	**(884)**	**(326)**	**236 225**	**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 31 March 2018						
Current core loans and advances	**170 728**	**52 356**	**18 229**	**5 720**	**6 835**	**253 868**
Past due (1 – 60 days)	**870**	**51**	**–**	**–**	**119**	**1 040**
Special mention	**191**	**170**	**–**	**–**	**6**	**367**
Special mention (1 – 90 days)	114	170	–	–	–	284
Special mention (61 – 90 days and item well secured)	77	–	–	–	6	83
Default	**2 233**	**273**	**–**	**119**	**236**	**2 861**
Sub-standard	872	120	–	–	–	992
Doubtful	1 361	153	–	119	236	1 869
Total gross core loans and advances to customers	**174 022**	**52 850**	**18 229**	**5 839**	**7 196**	**258 136**
Total impairments	**(723)**	**(480)**	**(19)**	**(63)**	**(149)**	**(1 434)**
Specific impairments	(487)	(99)	–	(60)	(149)	(795)
Portfolio impairments	(236)	(381)	(19)	(3)	–	(639)
Net core loans and advances to customers	**173 299**	**52 370**	**18 210**	**5 776**	**7 047**	**256 702**
At 31 March 2017						
Current core loans and advances	**155 158**	**48 701**	**17 604**	**5 765**	**5 674**	**232 902**
Past due (1 – 60 days)	**603**	**7**	**–**	**–**	**63**	**673**
Special mention	**160**	**79**	**–**	**–**	**5**	**244**
Special mention (1 – 90 days)	77	79	–	–	–	156
Special mention (61 – 90 days and item well secured)	83	–	–	–	5	88
Default	**2 514**	**755**	**36**	**135**	**176**	**3 616**
Sub-standard	999	114	36	–	2	1 151
Doubtful	1 515	641	–	135	174	2 465
Total gross core loans and advances to customers	**158 435**	**49 542**	**17 640**	**5 900**	**5 918**	**237 435**
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	**157 854**	**49 141**	**17 622**	**5 838**	**5 770**	**236 225**

An analysis of core loans and advances by risk category at 31 March 2018

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	**40 616**	**865**	**926**	**(319)**	**(221)**
Commercial real estate	**36 772**	**695**	**659**	**(260)**	**(106)**
Commercial real estate – investment	32 940	673	636	(246)	(96)
Commercial real estate – development	3 043	8	11	–	(3)
Commercial vacant land and planning	789	14	12	(14)	(7)
Residential real estate	**3 844**	**170**	**267**	**(59)**	**(115)**
Residential real estate – development	3 035	146	255	(40)	(133)
Residential vacant land and planning	809	24	12	(19)	18
High net worth and other private client lending	**133 406**	**1 368**	**1 929**	**(168)**	**(18)**
Mortgages	68 068	878	1 080	(102)	(75)
High net worth and specialised lending	65 338	490	849	(66)	57
Corporate and other lending	**84 114**	**628**	**697**	**(308)**	**(138)**
Acquisition finance	13 984	117	119	(2)	(68)
Asset-based lending	7 206	236	390	(149)	(9)
Fund finance	4 909	–	–	–	(6)
Other corporate and financial institutions and governments	47 952	160	153	(68)	12
Asset finance	2 678	–	–	–	–
Small ticket asset finance	2 225	–	–	–	–
Large ticket asset finance	453	–	–	–	–
Project finance	6 641	–	–	–	(2)
Resource finance	744	115	35	(89)	(65)
Portfolio impairments				**(639)**	**(324)**
Total	**258 136**	**2 861**	**3 552**	**(1 434)**	**(701)**

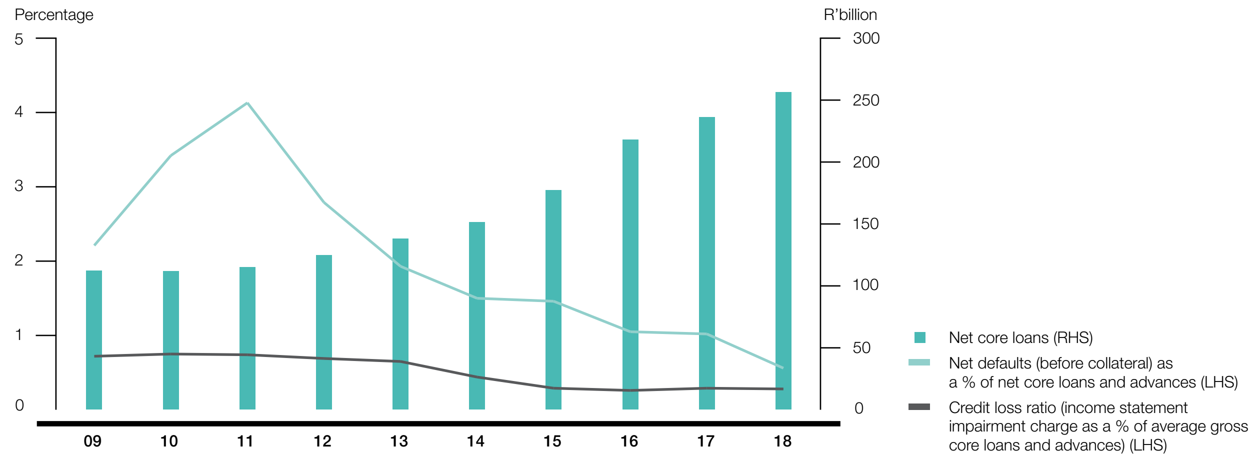
^ *Where a positive number represents a recovery.*

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 enhancements 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	**117 889**	**1 524**	**2 231**	**(146)**	**(284)**
Mortgages	61 390	725	998	(60)	(24)
High net worth and specialised lending	56 499	799	1 233	(86)	(260)
Corporate and other lending	**79 000**	**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	43 986	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	**237 435**	**3 616**	**4 343**	**(1 210)**	**(661)**

^ *Where a positive number represents a recovery.*

Asset quality trends



Collateral

A summary of total collateral is provided in the table below

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2018			
Eligible financial collateral	**59 808**	**19 863**	**79 671**
Listed shares	58 761	17 558	76 319
Cash	1 047	23	1 070
Debt securities issued by sovereigns	–	2 282	2 282
Property charge	**352 624**	**49**	**352 673**
Residential property	190 419	–	190 419
Commercial property developments	6 932	49	6 981
Commercial property investments	155 273	–	155 273
Other collateral	**50 799**	**827**	**51 626**
Unlisted shares^	5 240	–	5 240
Charges other than property	9 321	–	9 321
Debtors, stock and other corporate assets	6 128	–	6 128
Guarantees	20 517	–	20 517
Other	9 593	827	10 420
Total collateral	**463 231**	**20 739**	**483 970**
At 31 March 2017			
Eligible financial collateral	**61 395**	**25 020**	**86 415**
Listed shares	59 843	15 674	75 517
Cash	1 552	14	1 566
Debt securities issued by sovereigns	–	9 332	9 332
Property charge	**329 107**	**586**	**329 693**
Residential property	172 166	436	172 602
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	**456 999**	**26 460**	**483 459**

* *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.*

^ *Unlisted shares taken as collateral can include shares in companies in which the group also has an equity investment. Refer to page 59 for additional information on the unlisted equity investments held at fair value.*

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

Investment risk in the banking book

Investment risk description

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

- **Principal Investments:** Principal investments are normally undertaken in support of a client requiring equity to grow and develop an existing business, or the acquisition of a business from third parties. 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, or sale 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
- **IEP Group:** Investec Bank Limited holds a 45.7% stake alongside third party investors and senior management of the business who hold the remaining 54.3%. The investment in the IEP Group is reflected as an investment in an associate
- **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.

Management of investment risk

As investment risk arises from a variety of activities conducted by the group, the monitoring and measurement thereof varies across transactions and/or type of activity. Independent credit and investment committees exist in each geography where we assume investment risk.

Nature of investment risk	Management of risk
Principal Investments	Investment committee, BRCC and GRCC
Listed equities	Investment committee, market risk management, BRCC and GRCC
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees, BRCC and GRCC
Investment and trading properties	Investment committee, Investec Property group investment committee in South Africa, BRCC and GRCC
IEP Group	A number of our executive are on the board of the IEP Group, BRCC and GRCC

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

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

For the year to 31 March R'million	Income/(loss) (pre-funding costs) Unrealised°	Realised°	Dividends	Other	Total	Fair value through equity
2018						
Unlisted investments	(261)	427	114	–	280	(2)
Listed equities	(498)	60	192	–	(246)	–
Investment and trading properties^	163	172	–	–	335	–
Warrants, profit shares and other embedded derivatives	(9)	218	–	–	209	–
The IEP Group	–	–	–	766	766	–
Total	**(605)**	**877**	**306**	**766**	**1 344**	**(2)**
2017						
Unlisted investments	(126)	100	243	–	217	(2)
Listed equities	(154)	(3)	94	–	(63)	(47)
Investment and trading properties^	(122)	367	–	–	245	–
Warrants, profit shares and other embedded derivatives	(18)	264	–	–	246	–
The IEP Group	–	–	–	303	303	–
Total	**(420)**	**728**	**337**	**303**	**948**	**(49)**

° *In a year of realisation, any prior period mark-to-market gains/losses recognised are reversed in the unrealised line item.*
^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 26.8% in 2018 and 27.9% in 2017.*

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 2018	Valuation change stress test 2018*	On-balance sheet value of investments 2017	Valuation change stress test 2017*
Unlisted investments**	3 940	591	4 066	610
Listed equities	2 988	747	2 892	723
Investment and trading properties^^	9 882	1 281	9 087	1 162
Warrants, profit shares and other embedded derivatives	213	74	221	77
The IEP Group∞	6 180	927	5 413	812
Total	**23 203**	**3 620**	**21 679**	**3 384**

* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress-testing parameters are applied:*
** *Includes the investment portfolio*
^^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 26.8% in 2018 and 27.9% in 2017.*
∞ *As explained on page 58.*

Risk management

(continued)

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%

Stress testing summary

Based on the information at 31 March 2018, as reflected above, we could have a R3.6 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.

Capital requirements

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

Refer to page 84 for further detail.

Valuation and accounting methodologies

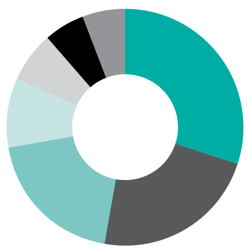
For a description of our valuation principles and methodologies refer to pages 196 and 205 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 0.60% of total assets (excluding assurance assets).

Refer to page 196 for further information.

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)



31 March 2018
R7 141 million

Real estate	30.1%
Mining and resources	22.7%
Manufacturing and commerce	19.6%
Communication	9.5%
Finance and insurance	6.8%
Other	5.7%
Electricity, gas and water (utility service)	5.6%

Securitisation/structured credit activities exposures

Overview

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

Refer to page 43 for the balance sheet and credit risk classification.

The group applies the standardised approach in the assessment of regulatory capital for securitisation.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a small proportion of our current funding profile, but provides additional flexibility and a source of liquidity. We do not depend on special purpose vehicles for funding in the 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 in South Africa. 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
- Continue to create marketable instruments through self-securitisation.

Total assets that have been originated and securitised by the Private Client division amount to R7.6 billion at 31 March 2018 (31 March 2017: R8.7 billion) and consist of residential mortgages. Within these securitisation vehicles loans greater than 90 days in arrears amounted to R37.6 million.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.7 billion notes of the original R1.5 billion are still in issue. No notes are held internally
- Fox Street 2: R0.8 billion notes of the original R1.5 billion are still in issue. R246 million of the notes are held internally
- Fox Street 3: R1.2 billion notes of the original R2.0 billion are still in issue. R209 million of the notes are held internally
- Fox Street 4: R2.3 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R2.3 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 R0.2 billion at 31 March 2018 (31 March 2017: R0.9 billion) and unrated South African RMBS totalling R1.0 billion at 31 March 2018 (31 March 2017: R0.9 billion).

Accounting policies

Refer to page 172.

Risk management

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

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 29.

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.
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.

Securitisation/structured credit activities exposures

At 31 March Nature of exposure/activity	Exposure 2018 R'million	Exposure 2017 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	1 145	1 812	Other debt securities and other loans and advances	
Rated	165	863		
Unrated	980	949		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) – (net exposure)	265	310	Other loans and advances	
Private Client division assets	7 630	8 673	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

At 31 March R'million	2018 Rated**	2018 Unrated	2018 Total	2017 Rated**	2017 Unrated	2017 Total
UK and European RMBS	129	–	129	773	–	773
Australian RMBS	36	–	36	90	–	90
South African RMBS	–	980	980	–	949	949
Total	**165**	**980**	**1 145**	**863**	**949**	**1 812**

** A further analysis of rated structured credit investments

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
UK and European RMBS	–	–	–	–	129	–	–	129
Australian RMBS	–	36	–	–	–	–	–	36
Total at 31 March 2018	**–**	**36**	**–**	**–**	**129**	**–**	**–**	**165**
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 of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance-sheet instruments that are held within the trading businesses.

Traded market risk profile

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 client flow. Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams in each jurisdiction where we assume market risk to identify, measure, monitor and manage market risk. All limits are approved, managed and monitored centrally by group risk.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight.

A global market risk forum, mandated by the BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Risk limits across all trading desks are reviewed by the global market risk forum and recommended for approval at Review ERRF in accordance with the risk appetite defined by the board. Limit reviews approved at Review ERRF are noted at Policy ERRF with significant changes to limits presented to Policy ERRF for review and approval. The appropriateness of limits is continually re-assessed, with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, such as the effect of a one basis point change in interest rates. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Stress and scenario analyses are used to add insight into the possible outcomes under severe market disruptions. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk. Stress scenarios based on historical experience as well as hypothetical scenarios are considered and are reviewed regularly for relevance in ever-changing market environments. Stress scenarios are run daily with analysis presented weekly to Review ERRF or more often depending on market conditions.

Traded market risk management, monitoring and control

Market risk limits are set according to guidelines set out in our risk appetite policy. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Current market conditions as well as stressed market conditions are taken into account when setting and reviewing these limits.

Market risk teams review the market risks in the trading book with detailed risk reports produced daily for each trading desk and for the aggregate risk of the trading book. The material risks identified are summarised in daily reports that are distributed to, and discussed with senior management. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Documented policies and procedures are in place to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation by market risk ensuring models used for valuation and risk are validated independently of the front office.

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from past time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model used is based on full revaluation historical simulation and incorporates the following features:

- two-year historical period based on an unweighted time series
- daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available, and the resultant one-day VaR is scaled up using the square root of time for regulatory purposes
- risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. Expected Shortfalls are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution.

The table below contains the 95% one-day VaR figures for the trading businesses.

	31 March 2018				31 March 2017			
R'million	**Year end**	**Average**	**High**	**Low**	**Year end**	**Average**	**High**	**Low**
95% (one-day)								
Commodities	–	0.1	1.5	–	0.1	0.1	0.5	–
Equities	3.6	3.4	7.4	2.0	2.4	3.6	22.8	1.9
Foreign exchange	1.7	2.9	9.1	0.9	3.7	1.7	5.3	0.9
Interest rates	2.4	2.2	4.7	0.3	0.8	1.6	3.2	0.6
Consolidated*	**3.4**	**5.0**	**13.7**	**2.4**	**4.5**	**4.2**	**21.8**	**2.1**

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

Expected shortfall

The ES measure overcomes some of VaR's shortcomings. ES seeks to quantify losses encountered in the tail beyond the VaR level. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded. The table below contains the 95% one-day ES figures.

R'million **For the year to 31 March**	**2018**	**2017**
Commodities	0.1	0.1
Equities	7.1	6.6
Foreign exchange	3.7	4.6
Interest rates	4.1	1.5
Consolidated*	**8.8**	**7.9**

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

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but based on a one year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR as at 31 March 2018.

R'million	**31 March 2018 Year end**	**31 March 2017 Year end**
99% one-day sVaR	13.3	9.6

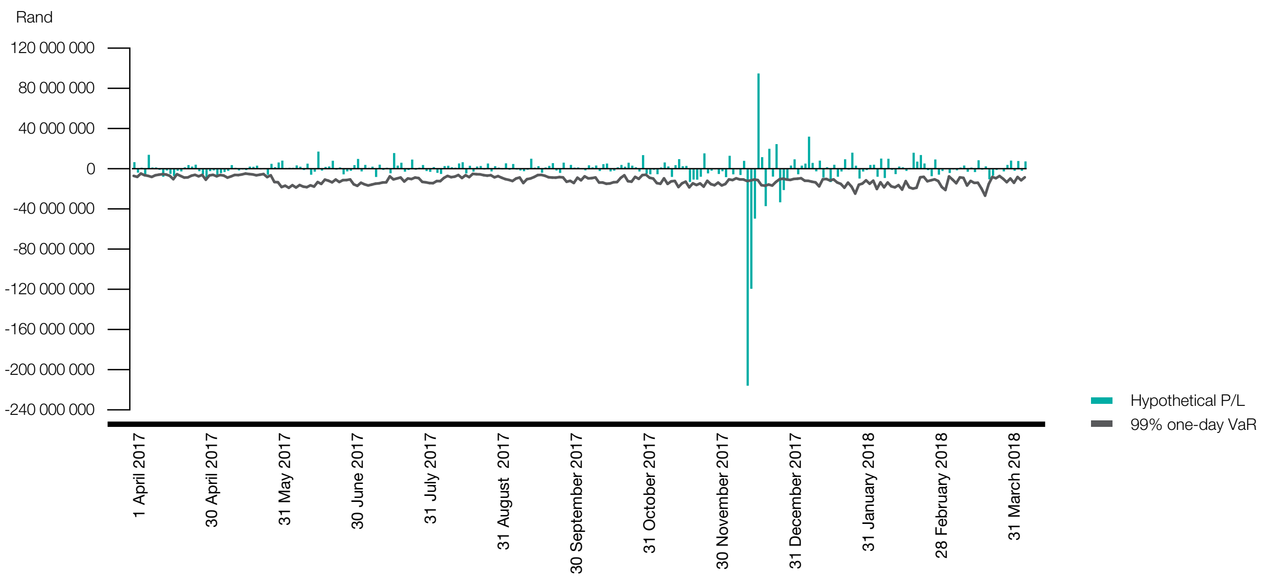
Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily hypothetical profit and loss against one-day VaR based on a 99% confidence level. Hypothetical profit and loss excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions. If a loss 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. This is conducted at an aggregate and desk level on a daily basis.

The graphs that follow show the result of backtesting the total daily 99% one-day VaR against the hypothetical 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.

Average VaR for the year ended March 2018 was higher than the previous year, primarily due to higher VaR utilisation on the foreign exchange and interest rate trading desks. The graph below is for the consolidated South African trading book and is based on hypothetical profit and loss, which excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions. The nine exceptions were primarily as a result of the Steinhoff share price collapse in December 2017 (refer to page 31 for additional information).

99% one-day VaR backtesting



Stress testing

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

	31 March 2018				
For the year to R'million	**Year end**	**Average**	**High**	**Low**	**31 March 2017 year end**
99% (using 99% EVT)					
Commodities	0.2	0.4	4.8	0.1	0.2
Equities	13.9	19.7	66.4	5.4	26.6
Foreign exchange	20.1	18.7	43.0	2.5	8.1
Interest rates	13.5	18.5	70.8	1.7	7.7
Consolidated**	**29.6**	**32.0**	**67.6**	**14.0**	**26.4**

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

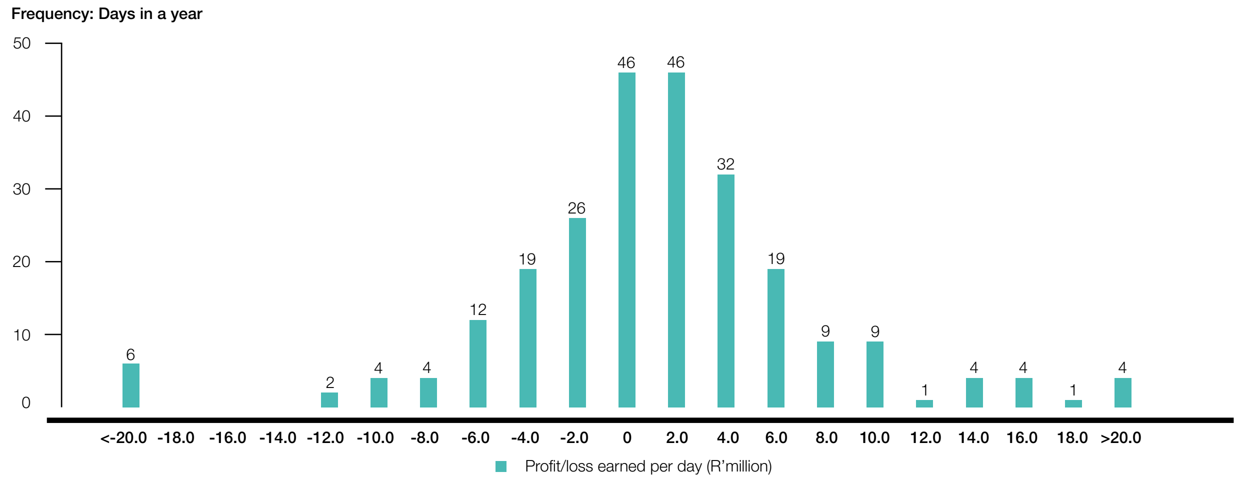
Capital

We have internal model approval from the South African Prudential Authority for general market risk for all trading desks 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.

Profit and loss histogram

The histogram below illustrates the distribution of hypothetical profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 129 days out of a total of 248 days in the trading business. The average daily trading revenue generated for the year to 31 March 2018 was – R0.7 million (2017: R4.5 million) due to a higher number of tail losses at the end of 2017.

Profit and loss



Traded market risk year in review

In South Africa, during the year the markets were impacted by local factors, in particular, political policy uncertainty prior to the ANC elective conference in December. The primary focus of the bank's trading desks remains to facilitate the demand of our clients with limited proprietary risk taken. This is reflected by the low levels of market risk exposures as well as VaR throughout the year. The 95% one-day VaR ended the year at R3.4 million, down R1.1 million from the previous year. Market risk exposures across all trading desks remained low throughout the year.

Market risk – derivatives

Investec enters into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, interest rates, commodity, equity and credit exposures and to a small extent as principal for trading purposes. These include financial futures, options, swaps and forward rate agreements.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 208 in volume three.

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

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure and risk mitigation

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

ALCOs meet on at least a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Treasury function within each region is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The Treasury function within each jurisdiction is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the board-approved risk appetite limits. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the Treasury function.

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

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

Balance sheet risk management teams are based within Group risk management in their respective geographies, and are responsible for independently identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the bank's policies.

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

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, Review ERRF, GRCC and BRCC as well as summarised reports for board meetings.

Liquidity risk

Liquidity risk description

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 in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash-flows, and 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 flows 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.

Management and measurement of liquidity risk

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

- Our liquidity management processes encompass requirements set out within Basel Committee on Banking Supervision (BCBS) guidelines and by the regulatory authorities in each jurisdiction, namely the South African Prudential Authority and BOM
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The asset and liability team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability

- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

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

- Internal 'survival horizon' metric which models how many days it takes before the bank's cash position turns negative under an internally defined worst-case liquidity stress;
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions;
- An array of further liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the bank's balance sheet;
- Contractual run-off based actual cash flows with no modelling adjustments;
- Additional internally defined funding and balance sheet ratios; and
- Any other local regulatory requirements.

This suite of metrics ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand a range of liquidity stresses or market disruptions.

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

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

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

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

We acknowledge the importance of our retail deposit client base as the principal source of stable and well diversified funding. We continue to develop products to attract and service the investment needs of our client base.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business.

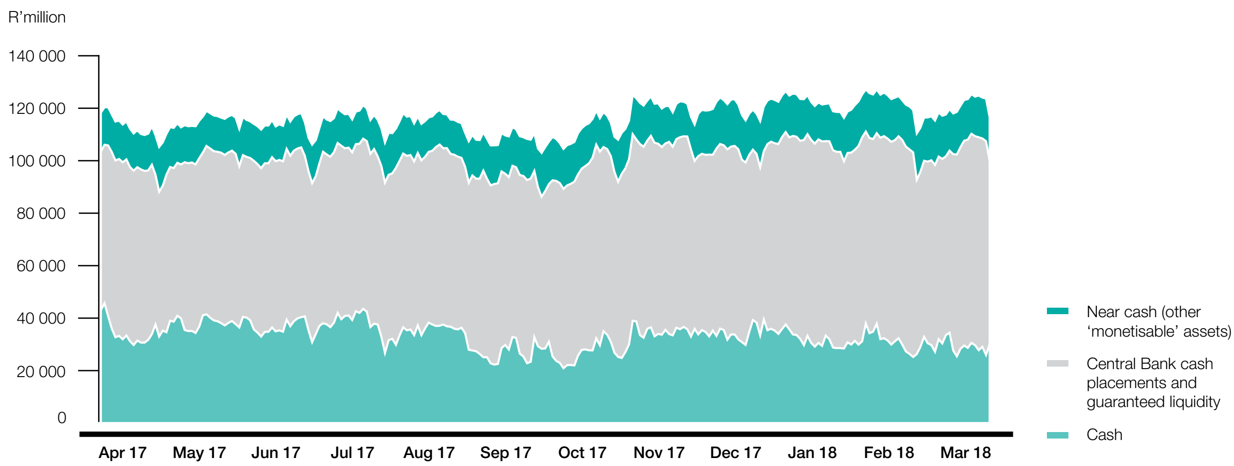
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors,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

We remain confident in our ability to raise funding appropriate to our needs.

Liquidity buffer

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

Investec Limited cash and near cash trend

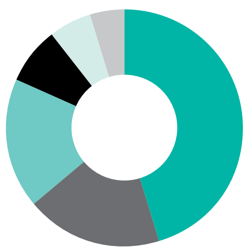


An analysis of cash and near cash at 31 March 2018

R116 533 million

Cash	25.8%
Central Bank cash placements and guaranteed liquidity	59.9%
Near cash (other 'monetisable' assets)	14.3%

Bank and non-bank depositor concentration by type at 31 March 2018



R349 616 million

Other financials	45.5%
Non-financial corporates	18.6%
Individuals	17.6%
Banks	7.9%
Small business	5.9%
Public sector	4.5%

The liquidity position of the group remained sound with total cash and near cash balances amounting to R116.5 billion at year end

Contingency planning

The group maintains contingency funding plans which detail the course of actions that can be taken in the event of a liquidity stress. The plans help to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plans include:

- Details on the required daily monitoring of the liquidity position;
- Description of the early warning indicators to be monitored, and process of escalation if required;
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios);
- Funding and management actions available for use in a stress situation;
- Roles and responsibilities;
- Details of specific escalation bodies and key contacts; and
- Internal and external communication plans.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The group uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the group which are available to provide a pool of collateral eligible to support central bank liquidity facilities.

On page 206 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

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

With respect to the contractual liquidity table below, we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

With respect to the behavioural liquidity gap, we adjust the contractual profile of certain assets and liabilities:

- *Liquidity buffer*: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of 'available-for-sale' discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class
- *Customer deposits*: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2018

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	23 724	3 487	940	–	165	491	–	28 807
Cash and short-term funds – non-banks	9 418	304	271	–	–	–	–	9 993
Investment/trading assets and statutory liquids	63 695	26 941	4 372	3 127	2 307	37 408	24 839	162 689
Securitised assets	60	9	48	104	166	1 717	5 825	7 929
Advances	7 200	5 257	11 779	15 676	25 543	121 239	62 643	249 337
Other assets	698	1 243	2 943	80	211	4 574	8 135	17 884
Assets	**104 795**	**37 241**	**20 353**	**18 987**	**28 392**	**165 429**	**101 442**	**476 639**
Deposits – banks	(868)	(1 140)	(2 196)	(396)	(7 389)	(15 229)	(575)	(27 793)
Deposits – non-banks	(135 962)^	(21 961)	(65 423)	(24 505)	(37 762)	(33 810)	(2 400)	(321 823)
Negotiable paper	(1)	(3)	(129)	(358)	(3 306)	(3 088)	–	(6 885)
Securitised liabilities	–	–	–	–	–	–	(2 274)	(2 274)
Investment/trading liabilities	(838)	(16 086)	(1 418)	(1 825)	(4 765)	(12 753)	(855)	(38 540)
Subordinated liabilities	–	(871)	(17)	(9)	–	(4 601)	(9 515)	(15 013)
Other liabilities	(2 507)	(916)	(700)	(125)	(1 129)	(155)	(7 500)	(13 032)
Liabilities	**(140 176)**	**(40 977)**	**(69 883)**	**(27 218)**	**(54 351)**	**(69 636)**	**(23 119)**	**(425 360)**
Total equity	–	–	–	–	(213)	–	(51 066)	(51 279)
Contractual liquidity gap	**(35 381)**	**(3 736)**	**(49 530)**	**(8 231)**	**(26 172)**	**95 793**	**27 257**	**–**
Cumulative liquidity gap	(35 381)	(39 117)	(88 647)	(96 878)	(123 050)	(27 257)	–	

^ *Includes call deposits of R126 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 70.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**58 207**	**650**	**5 388**	**(520)**	**(8 605)**	**(147 399)**	**92 279**	**–**
Cumulative	58 207	58 857	64 245	63 726	55 120	(92 279)	–	

Regulatory requirements

In response to the global financial crisis, the BCBS introduced a series of reforms designed to both strengthen and harmonise global liquidity standards to ensure strong financial risk management and a safer global economy.

Two minimum standards for funding liquidity were introduced:

- The liquidity coverage ratio (LCR) is designed to ensure that banks have sufficient high quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The net stable funding ratio (NSFR) is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

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

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

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework
- South Africa has an insufficient supply of level 1 assets in domestic currency to meet the aggregate demand.

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

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

To address this systemic challenge, the South African Prudential Authority exercised national discretion and has announced:

- The introduction of a Committed Liquidity Facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF is limited to 40% of Net Outflows under the LCR. Investec Bank Limited does not make use of the CLF offered by the South African Prudential Authority
- A change to the available stable funding factor as applied to less than six months term deposits from the financial sector. The change recognises 35% of less than six months financial sector deposits which has the impact of reducing the amount of greater than six months term deposits required by local banks to meet the NSFR, and will therefore mitigate any increases in the overall cost of funds.

Despite the above constraints, Investec Bank Limited comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratio into our processes.

Balance sheet risk year in review

- Investec maintained its strong liquidity position and continued to hold high levels of surplus liquid assets.
- Our liquidity risk management process remains robust and comprehensive.

The economy faced major headwinds throughout 2017, driven by escalating political risks, which had negative effects on the real economy. Certain ratings agencies responded to these risks by downgrading South Africa's local and foreign currency credit ratings to junk status. Concerns over the South African economy persisted throughout the year and peaked ahead of the ANC National Elective Conference in December 2017. Subsequent to that, Cyril Ramaphosa was elected President of the ANC, the ruling party. The announcement of a change of leadership within the ruling party was favourably received by investors. In response to these developments, Moody's left South Africa's key credit ratings at investment grade (Baa3) upgrading the sovereign's outlook from negative to stable.

Investec Bank Limited responded to these external challenges by concluding its $600 million long-term foreign currency funding programme in September 2017. It raised a further $550 million using a combination of repos, sub-debt issuances and long-term cross currency swaps. The majority of our foreign currency funding is used to augment our already strong cash balances. Investec grew its total customer deposits by 6.1% from R303 billion to R322 billion as at 31 March 2018. Our Private Bank and Cash Investments fundraising channels grew deposits by 6.5% to R132 billion over the financial year. Over the same period the wholesale ZAR only channels increased funding from R179 billion to R190 billion.

Our liquidity position is sound. Its health is evidenced by strong liquidity ratios which are monitored daily and managed to levels well above the regulatory requirement. The three-month average LCR for Investec Bank solo ended the financial year at 133.9% which is well above the current minimum level of 90% required. The NSFR has become a regulatory requirement as of January 2018. The NSFR for Investec Bank solo amounted to 108.4% as of 31 March 2018, comfortably above the 100% regulatory minimum. We are confident of our ability to meet and exceed both of these ratios whilst continuing to meet planned asset growth targets.

We foresee a period of improved market sentiment in the 2018/19 financial year. We are well positioned to take advantage of a positive political and investment climate which will likely drive asset growth in our geography. We have worked hard to build a robust retail and wholesale funding structure which is well diversified and sufficiently malleable to meet potential challenges which may test our view over the course of the new financial year.

Non-trading interest rate risk

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 of adverse movements in interest rates on both net interest earnings and economic value of equity.

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 earnings and the economic value of equity.

Measurement and management of non-trading interest rate risk

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

The aim of non-trading interest rate risk management is to protect and enhance net interest income and economic value of equity in accordance with the board-approved risk appetite, and to ensure a high degree of stability of the net interest margin over an interest rate cycle. Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the bank's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering (i) interest rate expectations and perceived risks to the central view (ii) standard shocks to levels and shapes of interest rates and yield curves (iii) historically-based yield curve changes.

The repricing gap provides a simple representation of the balance sheet, with the sensitivity of fair values and earnings to changes to interest rates calculated off the repricing gap. This also allows for the detection of interest rate risk concentration in specific repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macroeconomic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon.

Each geographic entity has its own board-approved non-trading interest rate risk policy and risk appetite, which is clearly defined in relation to both income risk and economic value risk. The policy dictates that long-term (>1 year) non-trading interest rate risk is materially eliminated. Where natural hedges between banking book items do not suffice to reduce the exposure within defined limits, interest rate swaps are used to transform fixed rate assets and liabilities into variable rate items.

Operationally, daily management of interest rate risk is centralised within the Treasury of each geographic entity and is subject to local independent risk and ALCO review. Treasury mitigates any residual undesirable risk where possible, by changing the duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

We are exposed to automatic optionality risk for those lending products where the bank applies a minimum lending rate. This is an income protection mechanism allowing for upward potential and no downside risk. We are not materially exposed to behavioural embedded option risk, as contract breakage penalties on fixed-rate items specifically cover this risk, while early termination of variable rate contracts has negligible impact on interest rate risk.

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

Internal capital is allocated for non-trading interest rate risk.

The group complies with the BCBS108 framework which is currently in force for assessing banking book (non-trading) interest rate risk, and is in the process of enhancing its existing framework to adhere to the new BCBS368 principles which come into effect in 2020.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2018. 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	19 236	–	159	–	–	8 240	27 635
Cash and short-term funds – non-banks	9 785	–	–	–	–	208	9 993
Investment/trading assets and statutory liquids	46 587	27 818	16 566	7 390	5 959	31 904	136 224
Securitised assets	7 929	–	–	–	–	–	7 929
Advances	222 260	4 791	1 745	15 217	2 302	3 022	249 337
Other assets	–	–	–	–	–	17 884	17 884
Assets	**305 797**	**32 609**	**18 470**	**22 607**	**8 261**	**61 258**	**449 002**
Deposits – banks	(27 428)	(355)	–	(10)	–	–	(27 793)
Deposits – non-banks	(269 525)	(16 383)	(23 583)	(9 163)	(2 180)	(924)	(321 758)
Negotiable paper	(5 943)	(321)	(518)	(103)	–	–	(6 885)
Securitised liabilities	(2 272)	–	–	–	–	(2)	(2 274)
Investment/trading liabilities	(1 753)	–	–	(197)	(686)	(12 756)	(15 392)
Subordinated liabilities	(11 847)	(1 943)	–	(697)	–	(526)	(15 013)
Other liabilities	–	–	–	(57)	(27)	(12 948)	(13 032)
Liabilities	**(318 768)**	**(19 002)**	**(24 101)**	**(10 227)**	**(2 893)**	**(27 156)**	**(402 147)**
Intercompany loans	10 437	(1 381)	(2 884)	(898)	(96)	663	5 841
Total equity	–	–	(213)	–	(5 363)	(45 703)	(51 279)
Balance sheet	**(2 534)**	**12 226**	**(8 728)**	**11 482**	**(91)**	**(10 938)**	**1 417**
Off-balance sheet	3 429	33	9 275	(9 303)	(4 851)	–	(1 417)
Repricing gap	**895**	**12 259**	**547**	**2 179**	**(4 942)**	**(10 938)**	**–**
Cumulative repricing gap	895	13 154	13 701	15 880	10 938	–	

Economic value sensitivity at 31 March 2018

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

	Sensitivity to the following interest rates (expressed in original currencies)						
million	**ZAR**	**GBP**	**USD**	**EUR**	**AUD**	**Other (ZAR)**	**All (ZAR)**
200bps down	607.9	9.6	1.8	1.1	1.2	(1.8)	813.9
200bps up	(345.9)	(9.1)	(1.9)	(1.4)	(0.6)	–	(545.2)

Operational risk

Operational risk description

Operational risk is defined as the potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the ordinary course of business activity. The group aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

The group's approach to manage operational risk operates in terms of a levels of defence model which reinforces accountability by setting roles and responsibilities for managing operational risk.

The levels of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable
- Level 2 – Independent operational risk function: responsible for challenging the business lines' inputs to, and outputs from, the group's risk management, risk measurement and reporting activities
- Level 3 – Independent review and challenge: responsible for reviewing and testing the application and effectiveness of operational risk management procedures and practices.

Risk appetite

Operational risk appetite is defined as the level of risk exposure that is acceptable to the board in order to achieve its business and strategic objectives. The board is responsible for setting and regularly reviewing risk appetite. The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the group is willing to accept.

Operational risks are managed in accordance with the level of risk appetite. Any breaches of limits are escalated to the GRCC and the BRCC on a regular basis.

Management and measurement of operational risk

Regulatory capital

The group applies the standardised approach (TSA) for the assessment of regulatory capital.

As part of the 2017 Basel III Reforms, The Basel Committee has announced revisions to the calculations of capital requirements for operational risk. A single standardised approach will replace all existing approaches for the calculation of regulatory capital from January 2022.

The group will continue to work closely with regulators and industry bodies on the implementation of the revisions.

Operational risk management framework and governance

The operational risk management framework is embedded at all levels of the group, supported by the risk culture and enhanced on a continual basis in line with regulatory developments. Included in the framework are policies, practices and processes which facilitate the identification, assessment, mitigation, monitoring and reporting of operational risk.

The group's operational risk profile is reported on a regular basis to various operational risk forums and governance committees responsible for oversight.

Risk reports are used for ongoing monitoring of the operational risk profile which contributes to sound risk management and decision-making by the board and management.

Operational risk practices consist of the following:

	Risk and control assessments	Internal risk events	External risk events	Key risk indicators	Scenario analysis and capital calculation
Description	Forward-looking qualitative assessments performed on key business processes. These assessments allow business units to identify, manage and monitor operational risks and controls	Internal risk events are analysed to enable business to identify and monitor trends in addition to addressing control weaknesses	An external data service is used to provide operational risk events from other organisations. These events are analysed to enhance our control environment. The external risk events also informs operational risk scenarios	Metrics are used to monitor risk exposures against identified thresholds. The output provides predictive capability in assessing the risk profile of the business	Extreme, but plausible scenarios are assessed to identify and manage significant operational risk exposures. The output of this evaluation provides input to determine internal operational risk capital requirements

Operational risk year in review

The group continued to enhance its operational risk framework in line with regulatory developments and sound practices. Regular interaction with regulators promotes an understanding of regulatory expectations and informs the approach to regulatory developments and requirements. The awareness of sound practice is achieved through interaction with industry counterparts at formal industry forums.

Operational risk events

Overall risk events and losses are managed within appetite. The majority of operational risk events occurred in the process failure risk event category. The value of these events is driven by a few events which are significant in value.

The second largest risk event category was external fraud, mainly driven by credit card fraud. These losses remained within risk appetite despite an increase in credit card fraud across the industry.

Mitigation required to minimise the occurrence of these events remains an area of focus.

Looking forward

Key operational risk considerations for the year ahead

Definition of risk	Management, mitigation approach and priorities for 2018/2019
Business continuity	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintain continuity through appropriate resilience strategies that cater for all disruptions, irrespective of the cause. The strategies include, but are not limited to relocating impacted business to alternate processing sites, the application of high availability technology solutions and ensuring physical solutions for critical infrastructure components • Enhance the group's global resilience capability through a team of dedicated resources and robust governance processes • Incorporate resilience into business operations to lessen the impact of disruptions • Conduct ongoing validation of recovery strategies to ensure they remain effective and appropriate • Participate in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks
Cyber security	
Risk associated with cyber attacks which can interrupt client services or business processes, or result in financial losses	• Maintain a risk-based cyber security strategy to ensure the group is adequately protected against advanced and targeted cyber attacks • Manage an adaptive cyber security architecture, supported by relevant policies and ongoing staff awareness • Continue to expand visibility, coverage, and proactive reporting of cyber controls to ensure they are effective and consistent • Improve and mature evolving cyber security prediction, prevention, detection and response capabilities • Establish secure IT system development and testing practices to ensure they are secure both by design and in operation • Enhance cyber resilience through effective, co-ordinated security incident response, aligned to disaster recovery and business continuity processes
Financial crime	
Risk associated with fraud, bribery, corruption, theft, money laundering, terrorist financing, tax evasion, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	**Anti-Money Laundering (AML), Terrorist Financing and Sanctions** • Enhancement of AML and Sanctions control systems across the group • Policies, procedures and minimum standards are reviewed regularly to ensure they remain relevant, robust and current to prevent and detect AML related activities • Continuous monitoring of adherence to AML policies and legislative requirements • AML awareness remains a key component of the control environment. The awareness is supported by mandatory training for all staff and specialist training for AML roles • Participate at industry bodies to manage legislative requirements through engagements with regulators **Fraud** • Enhance the group's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintain the Integrity Line to ensure staff is able to report regulatory breaches, allegations of bribery, fraud and corruption, and non-compliance with policies • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with regulations, industry guidance and best practice • Continue to focus on training staff and clients on fraud prevention and detection • Participate in industry working groups to gain an understanding of current trends in order to enhance the control environment

Risk management

(continued)

Definition of risk	Management, mitigation approach and priorities for 2018/2019
Information security	
Risk associated with the compromise of information assets which can impact their confidentiality, integrity, or availability	• Identify high-value information assets based on confidentiality and business criticality • Implement strong security controls to protect information against unauthorised access or disclosure from both internal and external threats • Manage role-based access to systems and data in support of least-privilege and segregation of duty principles • Develop mechanisms to monitor for, identify, and guard against data loss • Establish effective security monitoring to proactively identify and swiftly respond to suspicious activity • Align practices and controls to ensure compliance with the rapidly changing legal and regulatory privacy requirements • Safeguard and monitor information flows to enhance visibility and to ensure that data remains accurate, relevant, and protected
Outsourcing and third party	
Risk associated with the reliance on, and use of a service provider to provide services to the group	• Governance structures are in place to approve outsource and third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of the outsource and third-party providers • Continue to strengthen governance processes and relevant policies relating to how we identify, assess, mitigate and manage risks across the range of outsource and third-party providers
Process failure	
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to implement adequate and effective controls including the management of change • Address human errors through training and continuous automation of processes • Segregation of incompatible duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group Compliance and Group Legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Align regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures • Manage business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments (Refer to the Compliance section on page 92) • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop
Technology	
Risk associated with the disruptions to the IT systems which underpin our critical business processes and client services	• Align architecture across the group to reduce technical complexity and leverage common functions and processes • Enhance operational processes to better control IT changes in order to minimise business impact and recurrence • Drive automation and proactive monitoring of the technology environment to reduce human error whilst enhancing efficiency • Implement strategic infrastructure and application roadmaps to improve technology capacity, scalability and resilience • Maintain and test IT recovery capabilities to withstand system failures and safeguard against service disruptions • Establish effective technology and operational monitoring for oversight of the adequacy and effectiveness of IT systems and processes

Insurance

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

Recovery and resolution planning

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

The recovery plans for Investec Limited:

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

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

The South African Prudential Authority has continued to focus on finalising the recovery plans for the local banks and together with the South African Treasury are considering legislation to adopt a resolution framework. We will be subject to this legislation once it is adopted.

Reputational and strategic risk

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

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

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

Legal risk management

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

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

The scope of our activities is continuously reviewed and includes, among other things, the following areas:

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

The legal risk policy is implemented through:

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

nature and extent of our activities, and to benchmark our processes against best practice.

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

Conduct risk

The South African financial sector regulatory landscape has been under review for the last few years. The new Twin Peaks regulatory structure came into effect on 1 April 2018, with the South African Prudential Authority being dedicated to prudential supervision and the Financial Sector Conduct Authority (FSCA), previously the Financial Services Board, being the dedicated conduct regulator for all financial institutions. Although the conduct of financial institutions is currently regulated under various pieces of legislation, this will change under the new regulatory structure. The resultant strategic and operational impact is expected to last for the next few years.

Capital management and allocation

Regulatory capital – Investec Bank Limited

Current regulatory framework

Investec Limited is regulated by the South African Prudential Authority in South Africa.

Investec Limited calculates capital resources and requirements using the Basel III framework, as implemented in Southern Africa by the South African Prudential Authority in accordance with the Regulations relating to Banks, Gazette No. 35950, 12 December 2012 – (The Regulations), Banks Act, 1990 (Act No. 94 of 1990) – (The Act) and relevant published Banks Act Circulars, Guidance notes and Directives. In view of the implementation of the Basel III framework on 1 January 2013, the South African capital framework was legislated in Banks Act Directive 6 of 2016 that stipulates the various capital Tiers, together with various related elements specified in the Regulations and in the Basel III framework, including the systemic risk capital requirements (Pillar IIA), the bank-specific individual capital requirement (ICR, also known as Pillar IIB), and the phasing in of the related minimum requirements from 2016 up to 2019 and thereafter. The higher loss absorbency (HLA) requirement for domestic systemically important banks (D-SIB) is regarded as an extension of the capital conservation buffer (CCB) of which the first 50%, up to a maximum of 1% of risk weighted exposures (RWE), must be fully met by CET 1 capital. The South African Prudential Authority continuously assess Investec Limited's ICR as part of its Supervisory Review and Evaluation Process (SREP) of which ICR may be based on the levels of economic capital Investec Limited holds to cover risks not regarded as Pillar 1 risks, as observed in the internal capital adequacy and process supervisory review (ICAAP). In terms of the Regulations, Investec Limited is required to maintain an additional discretionary capital buffer above the specified minimum requirements to ensure that the execution of internal business objectives or the occurrence of adverse external environmental factors do not prevent the Group from operating above the relevant minima. In line with Banks Act Circular 6 of 2016, banks in South Africa should not disclose to the public their ICR or D-SIB requirements as these are bank-specific requirements that are based on a combination of various qualitative and quantitative factors that are not directly comparable across banks.

South Africa has not announced any CCyB buffer requirements. The institution specific CCyB requirement is calculated based on private sector non-bank exposures held in BCBS member jurisdictions in which a buffer rate has been set. As at 31 March 2018 Investec Limited is holding an institution specific CCyB of 0.016% of RWE. Investec Limited continues to hold capital in excess of relevant capital minima's and capital buffer requirements.

Investec Limited currently uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. Capital requirements for equity risk is calculated using the internal ratings-based (IRB) approach by applying the simple risk-weight method. The market risk capital requirement is measured using an internal risk management model, approved by the South African Prudential Authority.

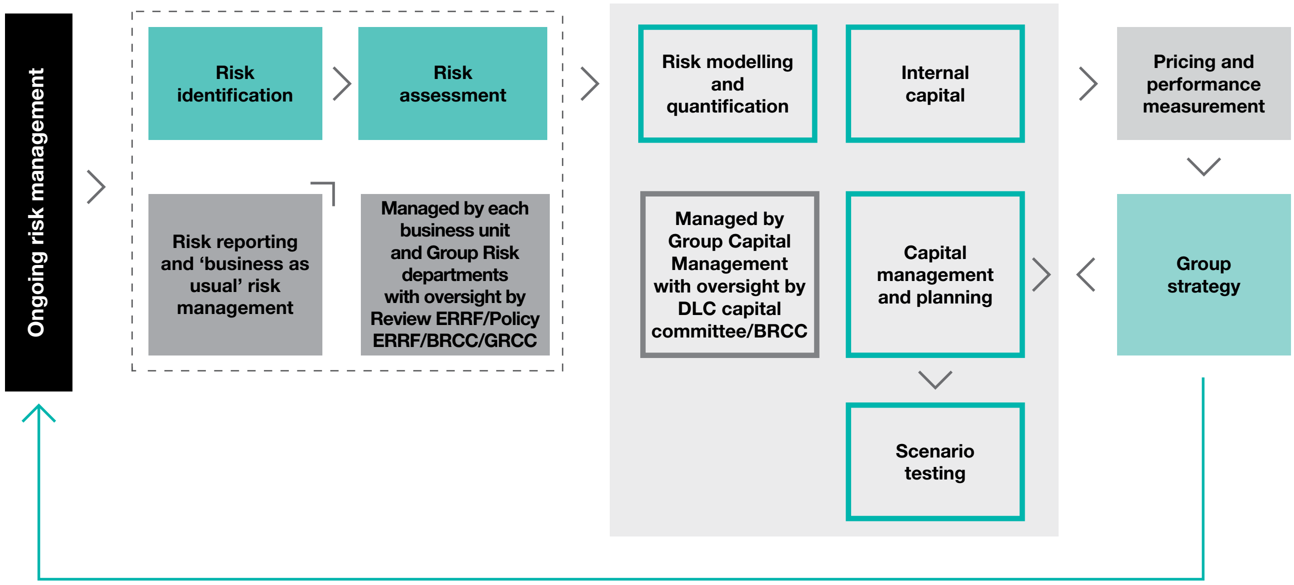
Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely.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

Regulatory considerations

Banks Act Directive 5 of 2017 directs South African banks regarding the classification of impairments as either general (GP) or specific (SP) under IFRS 9 during the interim approach, the transitional arrangements of the ECL accounting provisions for regulatory capital purposes, the disclosure requirements relating to such transitional arrangements as well as requirements regarding the auditing of the balances and adjustments that shall be implemented once IFRS 9 becomes effective. Banks that opt for a transition period shall follow a static approach (a once off calculation of the impact) and apply a three year transition period, amortised on a straight-line basis as specified in the Directive. Investec Limited will be applying the IFRS 9 transitional arrangements on regulatory capital from 1 April 2018. In addition, the South African Prudential Authority issued Banks Act Guidance note 3 of 2018 that specifies the proposed implementation dates of BCBS regulatory reforms relevant to Banks in South Africa. The Prudential Authority has agreed to preliminary implementation dates for each regulatory reform, based on industry comments, quantitative impact studies, global considerations and implementation complexity. Reforms that will impact Investec Limited in the short to medium term include: capital requirements for equity investments in funds, revisions to the securitisation framework, standardised approach for measuring counterparty credit risk and the new large exposures framework. The remainder of the regulatory reforms are likely to be implemented in Southern Africa in line with BCBS timelines on 1 January 2022. Investec Limited continues to assess and monitor the impact of new Regulations and regulatory reforms through participation of industry Quantitative Impact Studies (QIS) submissions to the Prudential Authority and presenting updates and impacts of the reforms to senior executives at the DLC Capital Committee and the Board.

Risk management framework

The (simplified) integration of risk and capital management



Capital targets

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

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

Management of leverage

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

Leverage ratio target

Investec is currently targeting a leverage ratio above 6%.

Capital management

Philosophy and approach

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

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

Our internal capital framework is designed to manage and achieve this balance.

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

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group;
- Provide protection to depositors against losses arising from risks inherent in the business;
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions.

Capital planning and stress/ scenario testing

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

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

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

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

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

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

Pillar 3 disclosure requirements

The Basel III framework is structured around three ‘pillars’ namely Pillar 1 minimum capital requirements, Pillar 2 supervisory review process and Pillar 3 market discipline. Pillar 3 aims to complement the other two pillars, by developing a set of disclosure requirements which will allow market participants to gauge the capital adequacy of a firm. The Pillar 3 disclosures for the ‘silo’ entity holding companies and its significant banking subsidiaries on a consolidated basis, will be available on the Investec group website.

Capital disclosures

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

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 222 to 229.

At 31 March 2018	Investec Limited*^ R'million	IBL*^ R'million
Tier 1 capital		
Shareholders' equity	36 159	36 531
Shareholders' equity per balance sheet	39 342	38 065
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	9 503	–
Non-controlling interests excluded for regulatory purposes	(9 503)	–
Regulatory adjustments to the accounting basis	993	994
Cash flow hedging reserve	993	994
Deductions	(2 773)	(2 696)
Goodwill and intangible assets net of deferred tax	(624)	(583)
Investment in financial entity	(2 149)	(2 113)
Common equity tier 1 capital	**34 379**	**34 829**
Additional tier 1 capital	**2 785**	**963**
Additional tier 1 instruments	5 617	1 884
Phase out of non-qualifying additional tier 1 instruments	(2 830)	(921)
Non-qualifying surplus capital attributable to non-controlling interests	(72)	–
Non-controlling interest in non-banking entities	70	–
Tier 1 capital	**37 164**	**35 792**
Tier 2 capital	**12 348**	**14 009**
Collective impairment allowances	635	635
Tier 2 instruments	15 013	13 374
Non-qualifying surplus capital attributable to non-controlling interests	(3 300)	–
Total regulatory capital	**49 512**	**49 801**
Risk-weighted assets	**338 484**	**320 607**
Capital ratios		
Common equity tier 1 ratio	10.2%	10.9%
Tier 1 ratio	11.0%	11.2%
Total capital adequacy ratio	14.6%	15.5%

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

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps and 13bps lower respectively.*

Capital structure and capital adequacy *(continued)*

At 31 March 2017	Investec Limited*^ R'million	IBL* R'million
Tier 1 capital		
Shareholders' equity	32 317	33 631
Shareholders' equity per balance sheet	35 500	35 165
Perpetual preference share capital and share premium	(3 183)	(1 534)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	8 987	–
Non-controlling interests excluded for regulatory purposes	(8 987)	–
Regulatory adjustments to the accounting basis	900	896
Cash flow hedging reserve	900	896
Deductions	(720)	(679)
Goodwill and intangible assets net of deferred tax	(720)	(679)
Common equity tier 1 capital	**32 497**	**33 848**
Additional tier 1 capital	**2 900**	**767**
Additional tier 1 instruments	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	(2 359)	(767)
Non-qualifying surplus capital attributable to non-controlling interests	(69)	–
Non-controlling interest in non-banking entities	61	–
Tier 1 capital	**35 397**	**34 615**
Tier 2 capital	**11 153**	**13 501**
Collective impairment allowances	321	321
Tier 2 instruments	13 805	13 180
Phase out of non-qualifying tier 2 instruments	–	–
Non-qualifying surplus capital attributable to non-controlling interests	(2 973)	–
Total regulatory capital	**46 550**	**48 116**
Risk-weighted assets	**329 808**	**313 010**
Capital ratios		
Common equity tier 1 ratio	9.9%	10.8%
Tier 1 ratio	10.7%	11.1%
Total capital adequacy ratio	14.1%	15.4%

* *Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 13bps lower respectively.*

Capital requirements

At 31 March 2018	Investec Limited* R'million	IBL* R'million
Capital requirements	**37 656**	**35 668**
Credit risk	29 389	28 870
Equity risk	2 797	2 521
Counterparty credit risk	653	655
Credit valuation adjustment risk	695	697
Market risk	609	502
Operational risk	3 513	2 423
At 31 March 2017		
Capital requirements	**35 454**	**33 649**
Credit risk	26 008	25 529
Equity risk	4 900	4 730
Counterparty credit risk	574	574
Credit valuation adjustment risk	195	199
Market risk	500	413
Operational risk	3 277	2 204

Risk-weighted assets

At 31 March 2018	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	**338 484**	**320 607**
Credit risk	264 171	259 494
Equity risk	25 140	22 663
Counterparty credit risk	5 867	5 887
Credit valuation adjustment risk	6 251	6 269
Market risk	5 477	4 515
Operational risk	31 578	21 779
At 31 March 2017		
Risk-weighted assets	**329 808**	**313 010**
Credit risk	241 926	237 474
Equity risk	45 583	44 007
Counterparty credit risk	5 344	5 335
Credit valuation adjustment risk	1 817	1 848
Market risk	4 652	3 847
Operational risk	30 486	20 499

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

Investec Limited

Movement in risk-weighted assets

Total RWA grew by 2.6% over the period, with the reasons identified in the categories below.

Credit risk RWAs

Credit risk weights grew by R22.2 billion of which R13.1 billion is associated with book growth in the period. The downgrade of South Africa's credit rating to sub-investment and associated rating of South African exposures resulted in a further increase in RWA of R3 billion. Our regulatory treatment of certain investments were adjusted to that of an investment holding vehicle resulting in an increase in other asset risk weights (included in credit) of R9.1 billion.

Counterparty credit risk and credit valuation adjustment RWAs

Counterparty credit risk RWAs increased by R523 million, while CVA over the period increased by R4.4 billion. The increase is mainly attributable to a change in the mix of rated entities by external rating agencies in the portfolio. CVA was implemented as part of Basel III in South Africa and captures the risk of deterioration in the credit quality of banks OTC derivative counterparties. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs

Equity risk decreased by R20.4 billion, mainly influenced by the change in regulatory treatment noted above in credit risk and a portion of exposure being treated as a capital deduction. The remaining movement follows change in net balance sheet equity exposures.

Market risk RWAs

Market risk RWAs are calculated using the Value at Risk (VaR) approach and has shown an increase, the increase is due to higher VaR figures for the Equity Derivatives and Interest Rate Derivatives desks. The higher VaR and stressed VaR figures were primarily driven by an increase market volatility.

Operational risk RWAs

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

Leverage ratios

At 31 March 2018	Investec Limited R'million^	IBL* R'million^
Exposure measure	**495 670**	**466 846**
Tier 1 capital	37 164	35 792
Leverage ratio – current**	**7.5%#**	**7.7%#**
Tier 1 capital 'fully loaded'	35 350	35 179
Leverage ratio – 'fully loaded'^^**	**7.1%#**	**7.5%#**

At 31 March 2017	Investec Limited R'million^	IBL* R'million^
Exposure measure	**483 775**	**457 030**
Tier 1 capital	35 397	34 615
Leverage ratio – current**	**7.3%#**	**7.6%#**
Tier 1 capital 'fully loaded'	33 108	33 848
Leverage ratio – 'fully loaded'^^**	**6.8%#**	**7.4%#**

* *Where: IBL is Investec Bank Limited. The information for Limited includes the information for IBL.*
** *The leverage ratios are calculated on an end-quarter basis.*
\# *Based on revised BIS rules.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from the capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps (31 March 2017: 24bps) and 13bps (31 March 2017: 13bps) lower respectively.*
^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Movement in total regulatory capital

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

Total regulatory capital flow statement

At 31 March 2018	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**32 497**	**33 848**
New capital issues	925	–
Dividends	(2 569)	(1 437)
Profit after taxation	6 302	4 673
Treasury shares	(985)	–
Gain on transfer of non-controlling interests	103	–
Share-based payment adjustments	656	–
Movement in other comprehensive income	(590)	(336)
Goodwill and intangible assets (deduction net of related taxation liability)	96	96
Investment in financial entity	(2 149)	(2 113)
Other, including regulatory adjustments and transitional arrangements	93	98
Closing common equity tier 1 capital	**34 379**	**34 829**
Opening additional tier 1 capital	**2 900**	**767**
New additional tier 1 issues	350	350
Other, including regulatory adjustments and transitional arrangements	(475)	(154)
Movement in minority interest in non-banking entities	10	–
Closing additional tier 1 capital	**2 785**	**963**
Closing tier 1 capital	**37 164**	**35 792**
Opening tier 2 capital	**11 153**	**13 501**
New tier 2 capital issues	3 287	2 273
Redeemed capital	(2 205)	(2 205)
Collective impairment allowances	314	314
Other, including regulatory adjustments and transitional arrangements	(201)	126
Closing tier 2 capital	**12 348**	**14 009**
Closing total regulatory capital	**49 512**	**49 801**

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

Total regulatory capital flow statement *(continued)*

At 31 March 2017	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**29 524**	**31 475**
New capital issues	986	–
Dividends	(2 426)	(1 031)
Profit after taxation	5 064	3 229
Treasury shares	(1 165)	–
Gain on transfer of non-controlling interests	73	–
Share-based payment adjustments	549	–
Movement in other comprehensive income	786	1 104
Goodwill and intangible assets (deduction net of related taxation liability)	42	16
Other, including regulatory adjustments and transitional arrangements	(936)	(945)
Closing common equity tier 1 capital	**32 497**	**33 848**
Opening additional tier 1 capital	**3 418**	**920**
Other, including regulatory adjustments and transitional arrangements	(505)	(153)
Movement in minority interest in non-banking entities	(13)	–
Closing additional tier 1 capital	**2 900**	**767**
Closing tier 1 capital	**35 397**	**34 615**
Opening tier 2 capital	**10 253**	**10 726**
New tier 2 capital issues	4 870	4 870
Redeemed capital	(2 519)	(2 519)
Collective impairment allowances	92	92
Other, including regulatory adjustments and transitional arrangements	(1 543)	332
Closing tier 2 capital	**11 153**	**13 501**
Closing total regulatory capital	**46 550**	**48 116**

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

A summary of capital adequacy and leverage ratios

At 31 March 2018	Investec Limited*^	IBL*^
2018		
Common equity tier 1 (as reported)	10.2%	10.9%
Common equity tier 1 ('fully loaded')^^	10.2%	10.9%
Tier 1 (as reported)	11.0%	11.2%
Total capital adequacy ratio (as reported)	14.6%	15.5%
Leverage ratio** – current	7.5%#	7.7%#
Leverage ratio** – 'fully loaded'^^	7.1%#	7.5%#
2017		
Common equity tier 1 (as reported)	9.9%	10.8%
Common equity tier 1 ('fully loaded')^^	9.9%	10.8%
Tier 1 (as reported)	10.7%	11.1%
Total capital adequacy ratio (as reported)	14.1%	15.4%
Leverage ratio** – current	7.3%#	7.6%#
Leverage ratio** – 'fully loaded'^^	6.8%#	7.4%#

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

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

\# *Based on revised BIS rules.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps and 13bps (31 March 2017: 13bps) lower respectively.*

^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Credit ratings

In terms of our dual listed companies structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the ratings agencies have assigned separate ratings to the significant banking entities within the group, namely Investec Bank plc and Investec Bank Limited. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings for Investec Bank Limited and Investec Limited at 18 June 2018 are as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch		
Long-term ratings		
Foreign currency	BB+^	BB+^
National		AA(zaf)
Short-term ratings		
Foreign currency	B^	B^
National		F1+(zaf)
Viability rating	bb+^	bb+^
Support rating	5	3
Moody's		
Long-term ratings		
Foreign currency		Baa3
National		Aa1.za
Short-term ratings		
Foreign currency		P-3
National		P-1(za)
Baseline Credit Assessment (BCA) and adjusted BCA		baa3
S&P		
Long-term ratings		
Foreign currency		BB^
National		za.AA-
Short-term ratings		
Foreign currency		B^
National		za.A-1+
Global Credit Ratings		
Local currency		
Long-term rating		AA(za)
Short-term rating		A1+(za)

^ *Negatively impacted by the downgrade of the South African Sovereign rating to non-investment grade.*

As a result of the regulatory responsibilities arising from the DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. In combination, the functions cover all the geographies in which Investec operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The heads of Internal Audit report at each audit committee meeting and have a direct reporting line to the chairman of the audit committee as well as the appropriate chief executive officers. They operate independently of executive management, but have regular access to the local chief executive officers and to business unit executives. The heads of Internal Audit are responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency. For administrative purposes, the heads of internal audit also report to the global head of corporate governance and compliance. The functions comply with the International Standards for the Professional Practice of Internal Auditing, and are subject to an independent Quality Assurance Review (QAR) at appropriate intervals. The most recent independent QAR benchmarked the functions against the July 2013 publication by the Chartered Institute for Internal Auditors entitled Effective Internal Audit in the Financial Services Sector. The results were communicated to the audit committees in March 2014 and to the respective regulators. A QAR follow-up review was completed and results issued to the audit committees in January 2015 as well as to the respective regulators.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. Very high risk businesses and processes are audited at least every 12 months, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems.

Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of integrated assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

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

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

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

Compliance

Regulatory change continues to be a key challenge in the financial sector with global political events adding to its uncertainty as to the shape of financial services regulation going forward.

Global regulators remain focused on countering market abuse with heightened scrutiny and regulatory attention in this area, including sustained focus on the EU's strengthened Market Abuse Regime.

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

Investec remains focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in each of our jurisdictions. Our culture is central to our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

Year in review

Changes to the regulatory landscape in South Africa

The South African financial sector regulatory developments are ongoing with some of the new regulatory structures expected to become effective from April 2018. Existing legislation continues to be applied in tandem with the review of pending legislation and regulatory requirements.

Conduct risk and consumer protection

The Financial Sector Regulation Act (FSRA), which introduces the Twin Peaks regulatory framework was signed into law in August 2017. The consequential amendments contained in the FSRA, become effective in staggered phases during 2018. Draft Regulations to the FSRA were published for public comment in December 2017. The draft Conduct of Financial Institutions Bill (CoFI) is expected to be published for public comment in 2018.

The Financial Advisory and Intermediary Services Act (FAIS) and subordinate legislation is also being amended. In particular, amendments to the Fit and Proper requirements became effective from April 2018. Draft amendments to the FAIS General Code of Conduct were published for comment in November 2017. The amendments to the Insurance Policyholder Protection Rules (PPR) became effective from January 2018. Internal controls established to ensure compliance continue to be implemented.

The Information Regulator established in terms of the Protection of Personal Information Act (PoPIA) has gazetted its draft Regulations in terms of PoPIA. Comments on the Regulations have been submitted. The draft Regulations was tabled at Parliament in the first quarter of 2018, and the anticipated date for publication of the final Regulations is the second quarter of 2018. Once the final Regulations are published in the Government Gazette and the Information Regulator is fully operational, the remaining sections of PoPIA will become effective.

The General Data Protection Regulation (GDPR) applies to organisations in the European Union (EU). The GDPR will also apply to organisations located outside the EU in the context of selling goods or services to or monitoring the behaviour of individuals residing in the EU. Investec Limited will be impacted to the extent that it processes personal data belonging to individuals who reside in the EU. There is an ongoing effort to meet our obligations in terms of data protection and information management.

Financial crime

Financial crime continues to be a regulatory focus for 2018 and beyond. The South African Treasury Department in conjunction with the Financial Intelligence Centre promulgated the FIC amendment Act during May 2017 with a phased implementation period from 2 October 2017 to the 30 April 2019. Strict adherence to the set timeframes has been called for in preparation for the 2019 Financial Action Task Force's (FATF) Mutual evaluation. The South African Treasury Department remains under pressure to ensure that country deficiencies identified during the 2014 FATF country visit are corrected through implementation of the new legislative provisions. Meeting these key requirements will ensure continuation of South Africa's status as a FATF member country, dedicating efforts to combat money laundering and terrorist financing in its financial system.

These amendments require substantial changes in the Anti-Money Laundering and Combatting of Financing of Terrorism (AML CFT) regulatory framework with a key focus for Accountable Institutions to define their risk management and control programmes (RMCP). The RMCP requires Investec to understand and articulate its enterprise-wide risk-based approach, allowing the institution to determine its own risk appetite and tolerance levels in relation to client identification and verification. Further changes include the identification and verification of Ultimate Beneficial Ownership structures (UBO), widening the current Political Exposed Person's definition, removal of all exemptions previously applied to reduce documentary requirements for certain classes of clients posing a lesser degree of risk and extending the reporting obligations to all cross border transactions in or out of the Republic of South Africa.

Additionally the Financial Action Task Force Recommendation 16 requires all banks to screen full originator and beneficiary details effective June 2019. This date has been postponed from June 2018 due to the National Payment industry initiative aimed at modernising the South African payment systems to support required changes. These changes will align both FATF global standards to country specific requirements which are a key focus areas for South Africa during 2018/19.

Tax reporting (FATCA/CRS)

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

The CRS became effective in South Africa on 1 March 2016. South Africa opted for the 'wider approach' which means all South African reporting financial institutions are required to collect tax-related information on all clients, rather than only in respect of the 102 countries which have currently opted into CRS. Consistent with the FATCA reporting regime, CRS reportable information is submitted to SARS annually. SARS then exchanges this information with relevant countries in return for reciprocal information on South Africans with financial accounts in those countries. South Africa is in the process of preparing its 2nd annual CRS report.

Mauritius has indicated that it will opt into CRS reporting from 2018.

"Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. The board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance"

Former chairman's introduction

Dear Shareholder

Investec thrives on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment. In light thereof, I am pleased to announce that as part of the management succession plan, as announced by the board and as discussed in more detail below, I stepped down as chairman of the board on 15 May 2018. Perry Crosthwaite, the Investec group's former senior independent non-executive director became chairman of the group on 15 May 2018. Perry Crosthwaite was appointed as non-executive director of the Investec Limited and Investec plc board in June 2010. Perry stepped down as chairman of the remuneration committee with Philip Hourquebie assuming the position on 1 April 2018. I am humbled to be continuing with the Investec group as joint chief executive officer with effect from 1 October 2018.

We present the annual corporate governance report for the year ended 31 March 2018, which describes our approach to corporate governance.

This year two chairman's letters will be included in the report as a result of the management change implemented as indicated above.

From an outlook perspective, the past year was difficult to navigate as uncertainty in South Africa remained. Corporate failures within all jurisdictions exacerbated this uncertainty. On a macro front the global economy experienced synchronised growth for the first time since before the global financial crisis.

Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust. We demand cast-iron integrity in all internal and external dealings, consistently and uncompromising displaying moral strength and behaviour.

We believe that open and honest dialogue is the appropriate process to test decisions, reach consensus and accept responsibility. We have adopted a multidimensional approach involving everyone in the organisation which incorporates challenge at every level as a defence mechanism against corruption and fraud. Creating fraud and ethics awareness throughout the organisation assists in influencing ethical behaviour.

The board oversees and monitors, on an ongoing basis, how the consequences of our organisation's activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring is performed against measures and targets agreed with management in the workplace, economy, society and the environment.

Our group wide philosophy seeks to maintain an appropriate balance between the interests of all stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

We respect the dignity of all individuals and embrace diversity through openness and by the sincere, consistent and considerate manner in which we seek to interact.

The past year in focus

In an uncertain and volatile world, Investec's culture and values continue to support the organisation in achieving its strategic objectives. The board has remained committed to the highest standards of integrity and ethical behaviour. Our client focus and entrepreneurial spirit have continued to be front of mind over the past year. The board and management have sought to develop a strategy for the group which is balanced in terms of managing the risks presented in these uncertain times and positioning for future opportunities as they arise.

Management succession

The board, working closely with the DLC nominations and directors' affairs committee (nomdac), continued to drive and monitor succession planning. Succession of the group's long-serving executive management has been an ongoing focus area for the board with the group's initial announcement in this regard made in November 2015, with further announcements in February 2018 and May 2018. The details pertaining to the management succession will be addressed in more detail in the governance report.

Corporate governance

(continued)

Diversity

At Investec, we are committed to attracting, developing and retaining a diverse team of talented people. A diverse workforce is vital to our ability to be an innovative organisation that is able to adapt and prosper in a fast changing world. Our recruitment strategies prioritise previously disadvantaged, female and disabled candidates where possible. We have various processes to encourage debate and dialogue around valuing diversity and difference.

To help us measure the pace of change, we have set a number of goals and targets. Investec is a member of the 30% Club in South Africa committing to a goal of 30% women on the board, and has made good progress towards the target of 33% female representation by 2020, per the Hampton-Alexander Review.

In addition, during the year we reported on our gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to promote diversity. We know that while we have worked to address greater representation of women, we have more to do. We have measures in place to improve this and we are committed to advancement and holding ourselves publicly accountable.

Having a diverse board and workplace is and remains important to the group bringing as it does the clear benefits of distinct and different outlooks, alternative viewpoints, and challenging mind-sets.

Strategic initiatives

The board has continued to exercise leadership, integrity and judgement in pursuit of Investec's strategic goals and objectives. In terms of positioning for future opportunities, the group has continued to invest in the business ensuring that it remains competitive and relevant in the markets in which it operates. Strategic initiatives were focused on reshaping the mid-market corporate offering in South Africa and improving economic return across the group.

Board effectiveness

The board continues to regularly review its own effectiveness and therefore undertakes an evaluation of its performance and that of its committees and individual directors annually, with independent external input into the process every third year. The last board effectiveness review was conducted by an independent external facilitator in 2016. This year the board effectiveness review was internally facilitated.

The responses received from the review indicated that the board is satisfied with the various aspects in relation to the board and committee governance and functioning. Comments and scores received provided a sense that the board members were of the opinion that the board's dynamic continued to strengthen and improve. Strengths highlighted in the comments in respect of board effectiveness indicated that the board is "increasingly more effective" and the board was settling down after a number of members joined the board.

Shareholder engagement

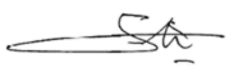
During the past year, the board continued its shareholder consultations. The primary focus of these consultations was executive remuneration and succession, however, these consultations have also provided an opportunity to discuss governance and business strategy more broadly with shareholders. From a governance perspective, the dialogue centred on the composition of the board, whilst on remuneration, the discussion related to the new remuneration policy and creating appropriate linkage between pay and performance.

Composition

With regard to the composition of the board, Peter Thomas stepped down from the board following the annual general meeting on 10 August 2017 and Philip Hourquebie was appointed to the board on 14 August 2017.

Conclusion

I would like to thank the board for their dedication and the time spent with them during my time as chairman of the board. I would furthermore like to congratulate Perry Crosthwaite on his new appointment and wish him all the best in this new endeavour. The group will benefit from his continued contribution and dedication.



Fani Titi
Former chairman

18 June 2018

Chairman's introduction

Dear Shareholder

As newly appointed chairman of the board I am pleased to provide you with our corporate governance report. It is a great honour to be appointed chairman of Investec.

The year ahead

We approach the year ahead with confidence in our leadership and strategy. Stability within the group and the orderly transition of leadership roles within the organisation has been and will continue to be a key area of focus for the board. The board will continue to motivate and lead our people to ensure long-term success, and to ensure that we operate from an agile and technologically-enabled platform.

In this continually changing environment, the board more than ever, needs to focus on its key strategic priorities. The board will also continue to ensure that Investec has the ability to react rapidly to the changing environment, and ensure that Investec's strategic objectives remain valid.

Conclusion

The board congratulates the new executive team on their appointments. The board is confident that Fani Titi and Hendrik du Toit together with senior management, will continue to grow and build Investec's core businesses and deliver the right outcomes for the group's clients and stakeholders.

Over the following pages, you will find more detail of our governance framework, including who our board and management are, how they make decisions and what they have done over the past year in terms of their leadership, strategic direction and oversight of the organisation. We hope that this report, together with the integrated report and financial statements will provide you with an overview of how we are managing the group and looking after the interests of our stakeholders.

PKO Crosthwaite

Perry Crosthwaite
Chairman

18 June 2018

Within this report you will find: Page

Who we are

What we did

How we comply

Who we are

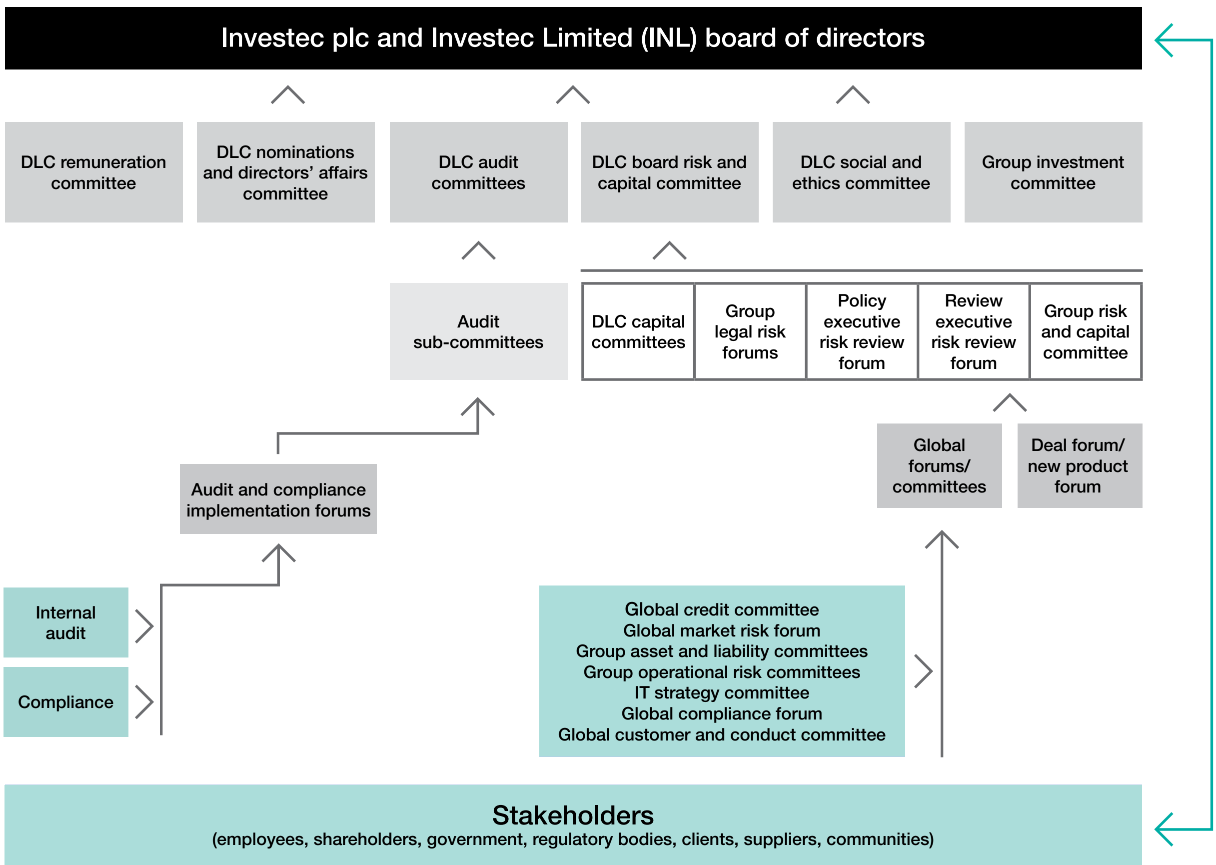
Governance framework

Investec operates under a dual listed companies (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group which also complies with requirements in both jurisdictions.

From a legal perspective, the DLC is comprised of:

- Investec plc – a public company incorporated in the UK and listed on the London Stock Exchange with a secondary listing on the Johannesburg Stock Exchange; and
- Investec Limited – a public company incorporated in South Africa and listed on the Johannesburg Stock Exchange, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange.

The boards of Investec plc and Investec Limited are identical in terms of their composition and board meetings are held jointly. The committee structure has been derived from the requirements of the UK Corporate Governance Code and the King IV Report on Corporate Governance, as well as the activities of the group.



Management and board succession

Stephen Koseff (chief executive officer (CEO) of the Investec group), Bernard Kantor (managing director (MD) of the Investec group) and Glynn Burger (group risk and finance director of the Investec group) are part of the 'founding members' of Investec and for almost 40 years, together with the board and the group's senior management team, have steered the group to becoming an internationally recognised specialist bank and asset manager.

As part of the group's succession plan and orderly transition from the founding members to the next generation of leadership, the following management and board succession changes have and shall be implemented subject to regulatory approval:

Investec Limited and Investec plc board – executive director changes

Stephen Koseff and Bernard Kantor will step down from their roles on 1 October 2018. From that date until 31 March 2019 they will continue to serve as executive directors and be available to provide support and advice to the incoming executives. As from 1 April 2019 they will become non-executives directors.

Glynn Burger, group risk and finance director, will retire on 31 March 2019. Glynn remains available and willing to assist in any capacity that the new management team requires him for.

Fani Titi who has been a non-executive director on the Investec group board since January 2004 and chairman of the group since November 2011, and Hendrik du Toit the founding CEO of Investec Asset Management and an executive director of the group since December 2010, have been appointed as joint CEO designates on 1 April 2018. On 1 October 2018 they will become Joint CEOs of the group and will be held jointly accountable and responsible for the leadership and management of the Investec group. Hendrik will remain CEO of Investec Asset Management until 30 September 2018 to ensure an orderly transition in this business.

Kim McFarland, chief operating officer (COO) and chief financial officer (CFO) of Investec Asset Management since December 1993, will take over as group finance and operations director on 1 April 2019. Kim will continue with her duties as COO and CFO of Investec Asset Management until 31 March 2019 to support an orderly transition in this business.

Ciaran Whelan, who has held various senior positions globally with the Investec group over the past 30 years, and who is currently global joint head of the Specialist Bank and global head of Private Banking, will succeed Glynn Burger as director of risk on 1 April 2019. Ciaran will remain the global head of the Private Bank until 31 March 2019.

During the transition period Stephen, Bernard and Glynn will work closely with the new executive designates to ensure a smooth and orderly transition.

Investec Limited and Investec plc board – non-executive director changes

Fani Titi has stepped down as group chairman.

Perry Crosthwaite, the Investec group's senior independent non-executive director has been appointed as chairman of the group on 15 May 2018. Perry Crosthwaite was appointed as a non-executive director of the board in June 2010. Perry's biography follows later in this report.

Perry Crosthwaite has stepped down as chairman of the remuneration committee with Philip Hourquebie assuming the position on 1 April 2018. Philip was appointed as a non-executive director of the board in August 2017. Philip's biography follows later in this report.

Zarina Bassa has been appointed as the group's senior independent non-executive director on 1 April 2018. Zarina was appointed as a non-executive director of the board in November 2014. Zarina's biography follows later in this report.

Chairman of Investec Bank Limited and Investec Bank plc

Fani Titi has stepped down as chairman of Investec Bank Limited with Khumo Shuenyane assuming the position on 15 May 2018. Khumo has been a director of Investec Bank Limited since August 2014.

Fani Titi has stepped down as chairman of Investec Bank plc with Brian Stevenson assuming this position on 15 May 2018. Brian has been a director of Investec Bank plc since September 2016.

Global divisional management

John Green and Mimi Ferrini became Deputy CEOs of Investec Asset Management on 1 April 2018 and from 1 October 2018, will assume the roles of Joint CEOs of the business.

David van der Walt and Richard Wainwright remain CEOs of Investec Bank plc and Investec Bank Limited, respectively. David van der Walt will remain joint global head of the Specialist Bank together with Richard Wainwright who will replace Ciaran Whelan in this role on 1 April 2018.

Steve Elliott remains global head of Investec Wealth & Investment.

Nishlan Samujh, the current global group chief financial officer (CFO), will remain in his role.

Timeline of board and management changes

Current changes		Future changes		
Philip Hourquebie • Became chairman of DLC remuneration committee **Zarina Bassa** • Became group senior independent non-executive director **Perry Crosthwaite** • Stepped down as chairman of DLC remuneration committee **Richard Wainwright** • Became Joint Global Head of the Specialist Bank with David van der Walt **Ciaran Whelan** • Stepped down as Joint Global Head of the Specialist Bank but remains Global Head of the Private Bank **Fani Titi and Hendrik du Toit** • Appointed as Joint CEO designates	**Fani Titi** • Stepped down as group, IBP* and IBL** chairman and chairman of DLC nomdac (15 May 2018) **Perry Crosthwaite** • Became chairman of Investec group (15 May 2018) and chairman of DLC nomdac **Brian Stevenson** • Became chairman of IBP* and chairman of IBP* nominations committee (15 May 2018) **Khumo Shuenyane** • Became chairman of IBL** (15 May 2018)	**Stephen Koseff** • Will step down as group CEO (remains an executive director of Investec Limited and Investec plc) **Bernard Kantor** • Will step down as group MD (remains an executive director of Investec Limited and Investec plc) **Fani Titi and Hendrik du Toit** • Will assume Joint CEO roles **Mimi Ferrini and John Green** • Will become Joint CEOs of Investec Asset Management	**Stephen Koseff and Bernard Kantor** • Will step down as executive directors of Investec Limited and Investec plc **Glynn Burger** • Will step down as group risk and finance director **Ciaran Whelan** • Will step down as Global Head of Private Bank	**Stephen Koseff and Bernard Kantor** • Will join the group board (Investec Limited and Investec plc) as non-executive directors **Ciaran Whelan** • Will become group risk director **Kim McFarland** • Will become group finance and operations director
1 April 2018	**15 May 2018**	**1 October 2018**	**31 March 2019**	**1 April 2019**

* *Investec Bank plc.*
** *Investec Bank Limited.*

Board roles

The key governance roles and responsibilities of the board are outlined below:

Chairman	Chief executive officer and managing director/joint group CEOs	Group risk and finance director
Fani Titi/Perry Crosthwaite effective from 15 May 2018	*Stephen Koseff and Bernard Kantor up to 30 September 2018 Fani Titi and Hendrik du Toit effective from 1 October 2018*	*Glynn Burger*
• Set the board agenda, ensuring that there is sufficient time available for discussion of all items • Encourage open and honest dialogue between all board members • Lead and manage the dynamics of the board, providing direction and focus • Ensure that the board sets the strategy of the group and assist in monitoring progress towards achieving the strategy • Perform director evaluations • Serves as the primary interface with regulators and other stakeholders on behalf of the board	• Lead and manage the group within the authorities delegated by the board • Execution of group strategy • Ensuring Investec's unique culture is embedded and perpetuated • Development and growth of all Investec's businesses	• Ensure that the group's risk management processes are effective • Lead and manage the group finance function • Provide the board with updates on the group's financial performance • Approval of the risk management plan
Senior independent director (SID)	**Non-executive directors**	**Company secretaries**
Perry Crosthwaite/Zarina Bassa effective from 1 April 2018	*Zarina Bassa, Laurel Bowden, Cheryl Carolus, David Friedland, Philip Hourquebie, Charles Jacobs, Ian Kantor, Lord Malloch-Brown KCMG, Khumo Shuenyane, Peter Thomas* **Resigned on 10 August 2017 from Investec Limited and Investec plc*	*Niki van Wyk*
• Address any concerns or questions from shareholders and non-executive directors • Provide a sounding board to the chairman • Lead the board in the assessment of the effectiveness of the chairman, or the relationship between the chairman and the CEO • Available to act as trusted intermediary for non-executive directors if required to assist them to challenge and contribute effectively	• Bring unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenge and contribute to assist in developing the group's strategy • Monitor the performance of management against their agreed strategic goals • Ensure the effectiveness of internal controls and the integrity of financial reporting • Contributes to board effectiveness through outside contacts and opinions • Ensure succession plan is in place • Manage risk	• Maintain the flow of information to the board and its committees and ensure compliance with board procedures • Minute all board and committee meetings to record the deliberations and decisions taken therein • Ensure that the board complies with relevant legislation and regulation, including Listings Requirements • Maintaining the company's statutory registers • Ensure good corporate governance is implemented and advise the chairman and board in that regard

Director biographies as at 31 March 2018

Biographies of our directors are outlined below, including their relevant skills and experience, other principal appointments and any appointments to Investec's DLC committees for the year under review.

Fani Titi, chairman, Investec Limited and Investec plc

Age: 56

Qualifications: *BSc (cum laude), BSc Hons (cum laude) in Mathematics, MA in Mathematics, MBA*

Relevant skills and experience

Fani Titi has been a member of the boards of Investec Limited and Investec plc since January 2004 and has been non-executive chairman of Investec Limited and Investec plc from November 2011. He has also been a member of the Investec Bank Limited board from July 2002, and has chaired its board from June 2007. He has been a member of the Investec Bank plc board from August 2011, and its chairman from August 2014. He has served on the board of Investec Asset Management from November 2013

Fani was a founding member of the private investment group Kagiso Trust Investments Limited (now Kagiso Tiso Holdings), and later cofounded and led the public offering of Kagiso Media Limited on the JSE Limited as its CEO. Fani was subsequently the founding executive chairman of the private investment firm the Tiso Group, which subsequently merged with Kagiso Trust Investments to form Kagiso Tiso Holdings. Fani stepped down from the Tiso Group in 2008 to concentrate his time on his duties at the Investec group, while also looking after his private investment portfolio. Fani has over two decades of investment banking experience, and has sat on the boards of different investee companies and JSE listed companies

Other principal appointments

Investec plc, Investec Bank plc, and Investec Bank Limited, IEP Group Proprietary Limited, Investec Asset Management Holdings Proprietary Limited, Investec Asset Management Limited and a number of Investec subsidiaries

Committees*

DLC remuneration, DLC board risk and capital, DLC nominations and directors' affairs (chairman) and DLC social and ethics (chairman)

Date of appointment

30 January 2004

* *Resigned from DLC remuneration committee as at 23 February 2018.*

** *Resigned as chairman of DLC nominations' and directors' affairs committee and social and ethics committee.*

Perry KO Crosthwaite, senior independent director (SID)

Age: 69

Qualifications: *A (Hons) (Oxon) in modern languages*

Relevant skills and experience

Perry was appointed chairman of Investec plc and Investec Limited on 1 April 2018. Perry was previously senior independent director of Investec plc and Investec Limited, a post he had held from August 2014 to March 2018, having joined the boards of Investec plc and Investec Limited June 2010. Perry is a former chairman of Investec Investment Banking and Securities and left the group on 31 March 2004

Perry has financial expertise gained through a distinguished career in investment banking with over 30 years of experience as a director in the city of London. Perry served as a non-executive director of Melrose Industries plc from July 2005 to May 2016, and was a founding director of Henderson Crosthwaite Institutional Brokers Limited, serving as its director from 1986 to 1998

Other principal appointments

Investec Bank plc, Investec Holdings (Ireland) Limited (chairman) and Investec Capital and Investments (Ireland) Limited

Committees

DLC nominations and directors' affairs and DLC remuneration (chairman)*

Date of appointment

18 June 2010

* *Resigned as chairman of the DLC remuneration committee, on 31 March 2018.*

Stephen Koseff, group chief executive officer

Age: 66

Qualifications: *BCom, CA(SA), H Dip BDP, MBA*

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

Other principal appointments
Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries, Bid Corporation Limited (chairman) and IEP Group Proprietary Limited

Committees
DLC board risk and capital, DLC social and ethics and DLC capital (chairman)

Date of appointment
6 October 1986

Bernard Kantor, group managing director

Age: 68

Qualifications: *CTA*

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

Other principal appointments
Investec Bank Limited, Investec Bank plc, Phumelela Gaming and Leisure Limited (chairman), a number of Investec subsidiaries and IEP Group Proprietary Limited

Committees
DLC board risk and capital, DLC social and ethics and DLC capital

Date of appointment
8 June 1987

Glynn R Burger, group risk and finance director

Age: 61

Qualifications: *BAcc, CA(SA), H Dip BDP, MBL*

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

Other principal appointments
Investec Bank Limited and a number of Investec subsidiaries

Committees
DLC board risk and capital and DLC capital

Date of appointment
3 July 2002

Hendrik J du Toit, Investec Asset Management chief executive officer

Age: 56

Qualifications: *BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)*

Relevant skills and experience
After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 to establish Investec Asset Management

Other principal appointments
Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited as well as their subsidiaries and non-executive director of Naspers Limited. Over the past two years, Hendrik has also served on the Global Business Commission for Sustainable Development

Committees
None

Date of appointment
15 December 2010

Zarina BM Bassa, independent non-executive director

Age: 54

Qualifications: *BAcc, DipAcc, CA(SA)*

Relevant skills and experience
Zarina is a former partner of Ernst & Young Inc. She joined the Absa Group in 2002 and was an executive director and a member of the group's executive committee, with accountability for private banking. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a member of the JSE GAAP Monitoring Panel and the Financial Services Board. Zarina has previously served as a non-executive director of Kumba Iron Ore Limited and Sun International Limited amongst others

Other principal appointments
The Financial Services Board, Oceana Group Limited, Yebo Yethu Limited, Vodacom Proprietary Limited and Woolworths Holdings Limited and various Investec subsidiaries including Investec Bank Limited, Investec Bank plc and Investec Life Limited

Zarina has been appointed as the senior independent director (SID) of Investec plc and Investec Limited effective from 1 April 2018

Committees
DLC audit (chairman), Investec plc audit (chairman), Investec Limited, Investec Bank Limited audit (chairman), Investec Bank plc audit, DLC remuneration, DLC nominations and directors' affairs and DLC board risk and capital

Date of appointment
1 November 2014

Laurel C Bowden, independent non-executive director

Age: 53

Qualifications: *MBA (INSEAD), BSc Electronic Engineering, HND Eng*

Relevant skills and experience
Laurel is a founding partner at 83 North UK LLP (a private equity business), where her areas of focus include internet, enterprise software and fintech. Laurel has over 15 years' investment experience and has led investments in many leading European technology companies, including Just Eat, Qliktech and Hybris (acquired by SAP). She was previously a director at GE Capital in London

Other principal appointments
83 North Limited, Bluevine Capital Inc, Ebury Partners Limited, iZettle AB, Celonis GmbH, Mirakl SAS, TIS GmbH, Wonga Group Limited, MotorK Limited, Workable Technology Limited (the majority of these are companies which Laurel serves on as a representative of 83 North)

Committees
None

Date of appointment
1 January 2015

Cheryl A Carolus, independent non-executive director

Age: 60

Qualifications: *BA (Law), Honorary doctorate in Law*

Relevant skills and experience
Cheryl was the South African High Commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism

Other principal appointments
De Beers Consolidated Mines Limited, Gold Fields Limited (chairman), The IQ Business Proprietary Limited, Ponahalo Capital Proprietary Limited, executive chairperson of Peotona Group Holdings Proprietary Limited (chairman) and director of a number of the Peotona group companies and International Crisis Group. Constitution Hill Education Trust (chairman) and WWF South Africa

Committees
DLC social and ethics

Date of appointment
18 March 2005

David Friedland, independent non-executive director

Age: 65

Qualifications: *BCom, CA(SA)*

Relevant skills and experience
David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG Inc. Cape Town office before leaving in March 2013

Other principal appointments
Investec Bank Limited, Investec Bank plc, the Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

Committees
DLC board risk and capital (chairman), DLC capital and DLC nominations and directors' affairs

Date of appointment
1 March 2013

Philip A Hourquebie, independent non-executive director

Age: 65

Qualifications: *BAcc, BCom (Hons), CA(SA)*

Relevant skills and experience
Philip has been a longstanding Regional Managing Partner of two regions of Ernst & Young Inc. (Africa and Central and South East Europe, including Turkey). Philip left Ernst & Young in 2014. As a senior partner at Ernst & Young Inc., Philip's background is in the advisory services in both the private and public sector. As an advisory partner and senior client service partner, he has worked, *inter alia*, with clients in financial services, mining, telecommunications, consumer products and retail, state-owned enterprises, government agencies and government departments at all three levels. Philip has also been a past chair of the board of South African Institute of Chartered Accountants (SAICA)

Other principal appointments
Aveng Limited and Investec Property Fund Limited

Committees
DLC audit, Investec plc audit, Investec Limited and Investec Bank Limited audit DLC remuneration (chairman*) DLC board risk and capital and DLC nominations and directors' affairs* and IBP audit

Date of appointment
14 August 2015

* *Effective from 1 April 2015.*

Charles R Jacobs, independent non-executive director

Age: 51

Qualifications: *LLB*

Relevant skills and experience
Charles brings to the board a valuable combination of knowledge of the UK regulatory and corporate governance standards, global capital markets and M&A. Charles sits on the board of Fresnillo plc, a FTSE 100 company. Charles was elected as chairman and senior partner at the global law firm Linklaters LLP in October 2016, having been appointed a partner in 1999, and has over 27 years of experience of advising companies around the world, including in relation to their legal and regulatory requirements. Charles chairs the Linklaters Partnership Board and holds an LLB from Leicester University

Other principal appointments
Linklaters LLP and Fresnillo plc (senior independent non-executive director and chairman of the remuneration)

Committees
DLC remuneration

Date of appointment
8 August 2014

Ian R Kantor, non-executive director

Age: 71

Qualifications: BSc. Eng (Elec.), MBA

Relevant skills and experience

Ian is co-founder of Investec, served as the chief executive of Investec Bank Limited until 1985 and was the chairman of Investec Holdings Limited. Ian is currently a non-executive director on the boards of Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited

Other principal appointments

Chairman of Blue Marlin Holdings SA (formerly Insinger de Beaufort Holdings SA in which Investec Limited indirectly holds an 8.3% interest)

Committees

None

Date of appointment

30 July 1980

Lord Malloch-Brown KCMG, independent non-executive director

Age: 64

Qualifications: BA (Hons) (History), MA (Political Science)

Relevant skills and experience

Lord Malloch-Brown is chairman of SGO Corporation Limited and Senior Advisor to the Eurasia Group, he was a UK government minister and member of the cabinet. Lord Malloch-Brown was formerly the deputy secretary-general of the United Nations as well as a vice president at the World Bank and head of United Nations Development Programme and a journalist at the Economist with wide ranging experience of boards

Other principal appointments

Seplat Petroleum Development Company plc, ISquared Capital and Kerogen Capital

Committees

DLC social and ethics (chairman)* and DLC nominations and directors' affairs

Date of appointment

8 August 2014

* *Effective from 1 April 2018.*

Khumo L Shuenyane, independent non-executive director

Age: 47

Qualifications: BEcon, CA(England & Wales)

Relevant skills and experience

Khumo is a partner at Delta Partners, an advisory firm headquartered in Dubai and focused on the telecoms, technology and digital sectors across emerging markets. He also serves on the boards of Investec Bank Limited and Investec Property Fund Limited. Between 2007 and 2013 Khumo served as group chief mergers and acquisitions officer for MTN Group Limited and was a member of its group executive committee. Khumo was previously head of Principal Investments at Investec Bank Limited. Prior to taking responsibility for the Principal Investments division in 2005, Khumo was a member of Investec's Corporate Finance division for seven years. Prior to joining Investec in 1998, Khumo worked for Arthur Andersen for six years from 1992. He completed his articles during his first three years with the firm in Birmingham, England, qualifying as a member of the Institute of Chartered Accountants in England & Wales in 1995. He subsequently transferred to the firm's Johannesburg office where he worked for a further three years before joining Investec

Other principal appointments

Investec Bank Limited (chairman)*, Investec Life Limited, Investec Specialist Investments (RF) Limited, Investec Property Fund Limited, Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited

Committees

DLC audit, Investec plc audit, Investec Limited and Investec Bank Limited audit, DLC board risk and capital, DLC nominations and directors' affairs

Date of appointment

8 August 2014

* *Effective from 15 May 2018.*

Corporate governance

(continued)

Board composition

Relationships and associations

Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian is also the founder and was previously chief executive officer of Investec. Accordingly, the board concluded that Ian could not be considered independent under King IV.

Prior to joining the board on 1 March 2013, David Friedland was a partner of KPMG Inc. KPMG Inc. along with Ernst & Young Inc., are joint auditors of Investec Limited. The board concluded that, notwithstanding his previous association with KPMG Inc., David retains independence of judgement given he was never Investec Limited's designated auditor or relationship partner and was not involved with its Investec account.

Philip Hourquebie has been a longstanding Regional Managing Partner of two regions of Ernst & Young Inc. (Africa and Central South East Europe, including Turkey) up to 2014. The board concluded that notwithstanding his previous association with Ernst & Young Inc., Philip retains independence of judgement as he was never Investec Limited's designated auditor.

Charles Jacobs is the chairman and senior partner of the global law firm Linklaters LLP. Linklaters is currently one of Investec's legal advisors. The board considers independence on an annual basis and again concluded that, notwithstanding this link, Charles retains independence of judgement. Charles does not form part of the Linklaters team that provides advice to Investec and he has not provided advice to Investec for over a decade. In addition, selection of legal advisors is not a board matter and is decided at the management level. If any decision were to be made at the board level regarding Linklaters, which has not happened to date, Charles would recuse himself in accordance with the provisions of the relevant Companies Act relating to directors' interests. Charles plays no role in any team advising Investec. Where advice is provided by Linklaters to Investec, it is provided by separate Linklaters partners and not Charles. The legal fees paid to Linklaters have not been material either to Linklaters or Investec.

Tenure

The board is also mindful of its responsibility to ensure that there remains an appropriate balance of skills and experience on the board, and it is therefore of the view that the retention of certain members beyond nine years may in certain circumstances be beneficial in ensuring this balance and that orderly succession can take place.

The board follows a thorough process of assessing independence on an annual basis for each director. The board does not believe that the tenure of any of the current non-executive directors interferes with their independence of judgement and their ability to act in Investec's best interest.

Accordingly, the board has concluded that Cheryl Carolus despite having been a director for more than nine years, retains both financial independence and independence of character and judgement.

The board is of the view that Cheryl Carolus is independent of management and promote the interest of stakeholders. The balance of the executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision-making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at credit

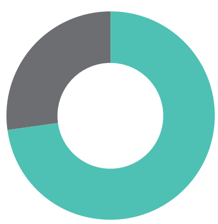
David Friedland regularly attends credit committees of the group. The board considers his attendance at the committee to be desirable in terms of developing an understanding of the day-to-day issues facing the business.

Independence

Non-independent non-executive director	1
Independent non-executives including chairman	10
Executive directors	4

66.6% of board independent

Balance of non-executive and executive directors:



Non-executive	73%
Executive	27%

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of Investec's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member. Investec has an insurance policy that insures directors against liabilities they may incur in carrying out their duties. On the recommendation of the nominations and directors' affairs committee (nomdac), non-executive directors will be appointed for an expected term of nine years (three times three-year terms) from the date of their first appointment to the board.

Independent advice

Through the senior independent director (SID) or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2018 financial year.

Company secretary

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

In compliance with the King IV Code and the JSE Listings Requirements, the board has considered and is satisfied that the company secretary is competent, has the relevant qualifications and experience and maintains an arm's-length relationship with the board. In evaluating these qualities, the board has considered the prescribed role and duties pursuant to the requirements codified in the South African Companies Act of 2008, as amended and the listings and governance requirements as applicable.

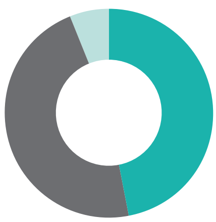
In addition, the board confirms that for the period 1 April 2017 to 31 March 2018 the company secretary did not serve as a director on the board nor did she take part in board deliberations and only advised on matters of governance, form or procedure.

Diversity

Age

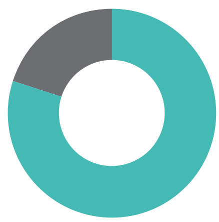
40 – 50	**7%**
51 – 60	**40%**
61 and above	**53%**

Geographical mix:



South Africa	47%
UK	47%
Other	6%

Board gender balance:



Male	80%
Female	20%

Tenure

Average length of service (years): **4**

for non-executive directors

Average tenure:

0 — 3 years	4
3 — 6 years	2
6 — 9 years	2

What we did

Board report

Role

The board seeks to exercise leadership, integrity and judgement in pursuit of Investec's strategic goals and objectives to achieve long-term sustainability, growth and prosperity. In fulfilling this objective, the board is responsible for:

- approving the group's strategy
- acting as a focal point for, and custodian of corporate governance
- providing effective leadership on an ethical foundation
- ensuring the group is a responsible corporate citizen
- being responsible for the governance of risk, including risks associated with information technology
- ensuring the group complies with the applicable laws and considers adherence to non-binding rules and standards
- monitoring performance
- ensuring a succession plan is in place.

The board

Meeting schedule and attendance

The board meets at least six times annually, excluding the annual two-day board strategy session. For the period 1 April 2017 to 31 March 2018, four board meetings were held in the UK and four in South Africa, in line with the requirements of Investec's DLC structure.

Furthermore, during the year ended 31 March 2018, the boards held two additional meetings each in the UK and South Africa, respectively. Unscheduled meetings are called as the need arises. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

Key matters deliberated by our board

Apart from standard and regular agenda items, such as report backs from each board committee and comprehensive reports from the CEO and financial director, discussions in relation to succession planning was of material importance for the group. The board remains focused on the group's orderly transition plan to move from the founding members to the next generation of leadership.

The board focused on gender initiatives in South Africa reviewed the headcount and revenue per employee within the organisation. Furthermore the new remuneration policy was considered.

The board complied with Investec's policy regarding directors' conflicts of interest and dealings with the group.

The board effectiveness review was considered and the strength and weaknesses highlighted and appropriate steps to address the weaknesses were identified.

The terms of references of board committees and the group policies were reviewed on an ad hoc basis.

The annual meeting with the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank), to discuss strategy, performance, risk and the South African Prudential Authority's 'flavour of the year' topics of International Financial Reporting Standards (IFRS) 9 and effective risk data aggregation and risk reporting, was attended by board members.

During the course of the year the board received training in respect of the senior management and certificate regime, the Financial Conduct Authority (FCA) approach and hot topics including IFRS 9, Markets in Financial Instrument Directive (MiFID) II, Advanced Internal Rating Based (AIRB) approach and General Data Protection Regulation (GDPR).

How the board spent its time

Finance and operations (including monitoring performance, capital and liquidity)	Strategy formulation and monitoring of implementation	Governance, compliance and risk	Other
50%	25%	20%	5%

Composition and meeting attendance

Members during the year	Independent	Board member since Investec Limited	Investec Limited (8 meetings in the year) Eligible to attend	Attended
F Titi (former chairman)*	On appointment	30 Jan 2004	8	8
PKO Crosthwaite (chairman)**	Yes	18 Jun 2010	8	8
ZBM Bassa	Yes	1 Nov 2014	8	8
LC Bowden	Yes	1 Jan 2015	8	8
GR Burger	Executive	3 Jul 2002	8	8
CA Carolus	Yes	18 Mar 2005	8	8
HJ du Toit	Executive	15 Dec 2010	8	8
D Friedland	Yes	1 Mar 2013	8	8
PA Hourquebie***	Yes	14 Aug 2017	5	5
CR Jacobs	Yes	8 Aug 2014	8	8
B Kantor	Executive	8 Jun 1987	8	8
IR Kantor	No	30 Jul 1980	8	8
S Koseff	Executive	6 Oct 1986	8	8
Lord Malloch-Brown KCMG	Yes	8 Aug 2014	8	8
KL Shuenyane	Yes	8 Aug 2014	8	8
PRS Thomas****	Yes	29 Jun 1981	3	3

* *F Titi stepped down as chairman of the board on 15 May 2018.*
** *PKO Crosthwaite was appointed as chairman of the board on 15 May 2018.*
*** *PA Hourquebie was appointed to the Investec boards with effect from 14 August 2017.*
**** *PRS Thomas stepped down from the Investec boards with effect from 10 August 2017.*

Board activities	
Areas of focus	**What we did**
Group strategy	The board: • formulated and monitored the implementation of its strategy • provided constructive challenge to management • monitored progress made with regard to agreed strategic initiatives
Group compliance, risk and corporate governance and audit	The board: • received and reviewed compliance reports in order to confirm that the group meets all internal and regulatory requirements • dialogued and approved the 2017/2018 risk appetite framework • regularly assessed the group's overall risk profile and emerging risk themes, receiving reports directly from the group risk manager and the chairman of the BRCC • received reports on the group's operational and technology capability, including specific updates on cyber risk capability and the strategy for technology and infrastructure services • received reports in respect of specific risks monitored within the group including updates in respect of GDPR, Advanced Internal Rating Based (AIRB), Foundation Internal Rating Based (FIRB) and International Financial Reporting Standards (IFRS) 9 • considered and approved capital plans • considered the impact of King IV, the JSE Listings Requirements • adopted the group Anti-Money Laundering (AML) and Counter Terrorism Financing (CFT) Policy • approved the Recovery and Resolution Plans for South Africa • considered and confirmed the independence of the non-executive directors having regard to factors that might impact their independence • ensured the implementation of King IV • considered auditor independence, appointment and monitoring of quality and related party activities
Leadership	The board: • considered regular updates by the various committees including remco, nomdac, the audit committee, social and ethics committee (SEC) and BRCC • ensured that policies and behaviours set at board level are effectively communicated and implemented across the group
Effectiveness	The board: • considered the process for the 2018 board effectiveness review which took the form of a self-assessment followed by one-on-one meetings between the chairman and directors • amended/added questions to the board effectiveness self-assessment regarding risk and audit, the presentation of projects to the boards, IT and succession planning • noted that the 2018 effectiveness review showed good progress on those issues identified in the independently facilitated 2015 effectiveness review • in light of the outcome of the board effectiveness review, finalised topics for directors' development sessions

Board activities *(continued)*

Areas of focus	What we did
Remuneration	The board: • received a report from the remco chair at each meeting which covered a variety of topics including: – regulatory developments pertaining to remuneration • in conjunction with remco revised the new remuneration policy
Relations with stakeholders	The board, in order to ensure satisfactory dialogue with shareholders, and to foster strong and open relationships with regulators, noted and discussed the key areas of feedback from the stakeholders, including feedback relating to: • board refreshment and succession • succession planning for the CEO, managing director and senior management • remuneration of executive directors • regular meetings and open dialogue with regulators • improving returns across its businesses
Corporate citizenship	The board discussed and monitored the various elements of good corporate citizenship including: • the promotion of equality, the prevention of unfair discrimination and the reduction of corruption • consideration of sponsorships, donations and charitable giving • environmental, health and public safety, including the impact of the group's activities and of its products and services • consumer relationships including the group's advertising, public relations and compliance with consumer protection laws • labour and employment – the group's standing in terms of the international labour organisation protocol on decent work and working conditions, employment relationships and its contribution towards the educational development of its employees The board: • satisfied itself that the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced • promoted the role Investec played in society
Subsidiary board and committee composition and governance	The board: • discussed succession planning including an update on senior management succession • received reports on the composition of the key subsidiaries of Investec Limited • received reports from the nomdac at each meeting covering the matters within its delegated authority for review and consideration • noted changes made to subsidiary boards on the recommendation of nomdac

Board activities *(continued)*

Areas of focus	What we did
Financial results, liquidity, solvency and viability statement	The board: • considered, reviewed and approved the financial results for the year ended 31 March 2018 for Investec Limited • considered, reviewed and approved the financial results for the half year ended 30 September 2017 • assessed, confirmed and satisfied itself of the group's viability statement (i.e. its ability to continue in operation and meet its liabilities taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces) • confirmed that the group was liquid and that the solvency and liquidity test has been satisfied (i.e. a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances at that time: the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued; and it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of: – 12 months after date on which the test is considered; or – In the case of a dividend, 12 months following the distribution) • confirmed that adequate resources existed to support the group on a going concern basis and accordingly adopted the going concern concept
Management succession	The board: • considered matters relating to board succession and approved appointments to the board and board committees • has and is ensuring the orderly transition from the founding members to the new generation in accordance with the agreed management succession plan
Marketing initiatives	The board: • received regular updates in respect of marketing initiatives within the group
Terms of reference and policies	The board: • reviewed and received regular updates in respect of the various committees' terms of reference and policies within the group

Implementation of King IV

There have been significant corporate governance and regulatory developments, locally and internationally, since King III was issued in 2009 which need to be taken into account. New global realities are testing the leadership of organisations on issues as diverse as inequality, globalised trade, social tensions, climate change, population growth, ecological overshoot, geopolitical tensions, radical transparency and rapid technology and scientific advancements. In context of the above, the board has the challenge of steering the organisation to create value in a sustainable manner, to meet the needs of a growing population and the reality of dwindling natural resources.

The board welcomes the latest update of the King Code of Governance Principles, King IV, which was introduced to South Africa on 1 November 2016. Its outcomes driven approach to corporate governance corresponds with Investec's commitment to consistent improvement and value creation.

The board has applied the King Code of Governance Principles (King III) throughout Investec since its inception. In line with the approach of King IV, this corporate governance review includes the board's assessment, against the King IV principles applicable to Investec's business, of the outcomes our approach to corporate governance has achieved. The board recognised that this is the first step in Investec's King IV journey and will be spending time in 2018 to further analyse Investec's practices to support the various principles and outcomes in terms of King IV.

A gap analysis between King III and King IV was conducted. The board is satisfied that based on the outcome of the gap analysis performed, that King IV has been complied with.

Consistent with King IV's apply and explain approach to disclosure, Investec considers and applies the principles of corporate governance that are relevant to the group.

Below is a breakdown of the outcome of our endeavour to achieve good corporate governance in accordance with the principles of King IV:

King IV Principles	
Leadership, ethics and corporate citizen	
Principle 1 • The governing body should lead ethically and effectively	• The board is the governing body of Investec and committed to the good corporate governance principles as set out in King IV, the South African Companies Act, the JSE Listings Requirements and the South African Banks Act. Investec's values of commitment, integrity, responsibility, innovation and connectivity guide the behaviour in the fulfilment of daily responsibilities and duties • A governance framework is in place between Investec and its subsidiaries in terms of which committees of the board assume responsibility for these subsidiaries
Principle 2 • The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	• The board sets the tone from the top in the manner in which it conducts itself and oversees the governance framework and structures. Investec operates under a DLC structure and therefore considers the corporate governance principles and regulations of both the UK and South Africa prior to adopting the appropriate standard for the group • Investec's code of ethics and business conduct guides the ethical behaviour of all Investec employees and directors. The code is published on the Investec intranet, and incorporated by reference in employee contracts, employee induction and training programmes
Principle 3 • The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	• The SEC has been tasked with the responsibility for monitoring the overall responsible corporate citizenship performance of Investec • The board approves the strategy and priorities of Investec in accordance with its role of overseeing Investec's conduct as a responsible corporate citizen. The board oversees and monitors how operations and activities of Investec affect its status as a responsible corporate citizen. This is measured against agreed performance targets, which contains both financial and non-financial measures, so that Investec's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen
Strategy, performance and reporting	
Principle 4 • The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	• The board is responsible for setting the strategy of the organisation. Strategy is discussed in depth at the annual board offsite. Senior management and executives present strategies to the board which the board in turn challenges and interrogates • The monitoring and evaluation of the strategy is done by the combined boards of Investec plc and Investec Limited. A review of performance against strategic objectives is included in the board pack for each meeting

King IV Principles *continued*	
Strategy, performance and reporting *continued*	
Principle 5 • The governing body should ensure that reports issued by the organisation enables stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects	• Investec's integrated annual report is published annually and is available online and in printed form • The board ensures that there are processes in place enabling complete, timely, relevant, accurate and accessible disclosures to stakeholders and monitors Investec's communication with all stakeholders and disclosures made to ensure transparent and effective communication • The Investec Limited audit committee is tasked with the specific duty of considering whether the integrated annual report taken as a whole, was fair, balanced, and comprehensible and provided the information necessary for stakeholders to assess the group's performance. Corporate governance disclosures in terms of South African governance codes, the integrated annual report as well as annual financial statements are published on Investec's website
Governing structures and delegation	
Principle 6 • The governing body should serve as the focal point and custodian of corporate governance in the organisation	• The board sets the tone from the top in the manner in which it conducts itself and oversees the governance framework and structures. The board charter details the board's role, matters specifically reserved for the board, delegation to the CEO, membership requirements and procedural conduct at board meetings, amongst other things
Principle 7 • The governing body should comprise the appropriate balance of knowledge, skills experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	• The board, with the assistance of nomdac, considers on an annual basis its composition in terms of balance of knowledge, skills, experience, diversity and independence and whether this enables it to effectively discharge its governance role and responsibilities objectively and effectively. The balance of executive and non-executive directors are such that there is a clear division of responsibility to ensure a balance of power, The board has more than one point of direct interaction with management • Directors are required to submit, in writing, disclosures detailing any actual or potential conflict for consideration
Principle 8 • The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties	• The board has retained specific matters for decision making by the board, as per the board charter. To achieve its objectives, the board, in terms of defined terms of reference, has delegated certain of its duties and functions to various committees, group forums and the CEO. Membership of the committees are as recommended in King IV
Principle 9 • The Governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness	• The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. The board undertakes an annual evaluation of its performance and that of its committees and directors, with independent external input into the process every third year • The company secretary's performance is evaluated annually to ensure that there is an arm's length relationship with the board. The board is satisfied that the company secretary and the function that she oversees is performing well
Principle 10 • The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	• The board appoints the CEO who has the necessary powers and mandate to manage the group and conduct the affairs of the group in his discretion and as he deems fit, save for matters specifically reserved for the board, as per the board charter or agreed by the board from time to time, dealt with and provided for in the formally adopted terms of reference of a board committee or other recognised group forum. The CEO is a regular invitee at nomdac. Any professional positions are discussed with the chair and nomdac

King IV Principles *continued*	
Governance functional areas	
Principle 11 • The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives	• Risk management is embedded into day to day operations and culture. The Investec BRCC is tasked by the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec • Independent risk management, compliance, financial control functions supplemented by internal audit, who reports independently to the audit committee, ensures the management of risk. Business strategy, risk appetite and effective capital utilisation underpin the economic value added (EVA) annual bonus allocation model
Principle 12 • The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	• The board delegates responsibility to management and monitors progress through the IT strategy committee. The information and technology management charter and the IT governance framework define the structure to govern and manage IT, which is a sub-committee of Investec Limited and enables the setting of technology and information directions. A set of IT and information risk policies are defined for the group and approved by the IT strategy committee
Principle 13 • The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and good corporate citizen	• There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on Investec or the board during the year
Principle 14 • The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	• The remco assumes responsibility for the governance of remuneration and sets the direction for how remuneration should be approached. Investec's overarching remuneration philosophy remains focused on employing and retaining the highest calibre individuals through the payment of industry competitive packages and long-term share awards, which ensure alignment with key stakeholders in Investec's business • Refer to page 185 of the remuneration philosophy
Principle 15 • The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	• Representation from external audit, internal audit compliance and operational risk on the audit committee enables an effective internal control environment to support the integrity of information used for internal decision-making and support the integrity of external reports. A combined assurance framework includes both coverage of significant risks and reporting of any issues raised relating to these risks • An internal audit plan is presented annually for approval to the audit committee. The internal audit charter is reviewed every year. This charter defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted
Stakeholder's relations	
Principle 16 • In its execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	• Investec continually seeks to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests • The SEC has been tasked by the board to ensure a stakeholder-inclusive approach is followed • The independence of appointed non-executive directors promote the interest of stakeholders. Investec's reward programmes are administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short, medium- and long-term success. Our EVA model ensures that risk and capital management are embedded in key processes at both a bank and transaction level, which form the basis of the group's performance related variable remuneration model, thus balancing the interests of all stakeholders. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees

DLC nominations and directors' affairs committee report

The DLC nomdac, is pleased to present its report for the year ended 31 March 2018. During the past financial year, the committee focused on executive succession planning, board composition and ongoing director development.

The key objectives of the nomdac are designed to ensure the ongoing strengthening of the governance processes in the subsidiaries, not only for regulatory purposes, but also to enhance the effectiveness of the work performed by the boards.

At Investec, our culture and values are at the core of how we make decisions and how we are governed.

As such, the tone is set from the top and the boards and committees alike live and demonstrate our values and integrity. In this respect, the nomdac's continued work on refreshing the subsidiary boards and director development was to ensure that the board were able to fulfil their mandates with particular focus on the long-term success of the entities.

The nomdac was always cognisant of the imminent executive management changes – with particular reference to the founding members. We deliberated and debated the new management structure of Investec extensively and concluded that the succession of the aforementioned executives should be from within the organisation and therefore, no help was sought from external recruitment agencies.

We are proud of our achievements and successes during the financial year. However, while we strive to improve our processes and functions, we take mistakes made from inside and outside the organisation – as opportunities to grow and develop. This approach will undoubtedly encourage us to stay on top of our game and remain disciplined.

Finally, the nomdac would like to extend its congratulations to Perry Crosthwaite on his appointment as the chairman of nomdac. We also congratulate the new executive management appointed to various positions. We are confident that the group will benefit from their continued contribution.

Fani Titi
Former chairman, DLC nomdac

18 June 2018

'At Investec, our culture and values are at the core of how we make decisions and how we are governed'

DLC nomdac

Fani Titi
Former chairman of DLC nomdac

Key achievements in FY 2017/18

- Succession planning

Areas of focus in FY 2018/19

- Strengthening the governance processes in the subsidiaries
- Enhance the effectiveness of the work performed by the board

DLC nominations and directors' affairs committee report

We are, pleased to report that Investec has entered a new era with the appointment of the new Joint CEOs, Fani Titi and Hendrik du Toit with effect from 1 October 2018. Leading up to the announcement of the new leadership, the nomdac was engaged in rigorous discussions around the new leadership of the organisation. Given Fani's role in the new leadership line succession discussions were led by myself as senior independent director. The nomdac and the boards have every confidence that both Fani Titi and Hendrik du Toit will continue to grow Investec from strength to strength.

As part of the handover, the newly appointed and outgoing CEOs will meet regularly over the next six months to ensure a smooth transition and minimal disruptions. This would ensure continuity and stability within the organisation.

The group remains optimistic and confident in the new leadership. We wish to acknowledge and thank Stephen Koseff and Bernard Kantor for their hard work, commitment and endless dedication to Investec. Through the years and under their leadership, Investec became a market leader in several territories. We also wish to thank Glynn Burger for his contribution to the success of Investec. We wish them the very best in their future endeavours.

Following the implementation of new management succession plan Khumo Shuenyane will be joining nomdac as Investec Bank Limited's representative, Philip Hourquebie as chairman of the DLC remco and Lord Malloch-Brown as chairman of the DLC SEC.

Going forward, the nomdac will continue ensure the successful delivery of its mandate and strategic plans for the future.

Perry Crosthwaite
Chairman DLC nomdac

18 June 2018

How the nomdac works

Role

The nomdac is an essential part of the group's governance framework to which the board has delegated the following key functions:

- identification and nomination of candidates for board vacancies, as and when they arise
- evaluation of the adequacy of the group's corporate governance structure
- maintenance of the board directorship refreshment programme, which addresses succession planning
- consideration of other key matters relating to the election of directors, including the definition of key board roles, terms of appointment and regular review of the appropriateness of the boards' composition
- succession planning

Composition

The board has formed the opinion that the nomdac has the appropriate balance of knowledge and skills in order to discharge its duties. In particular, the majority of members are independent non-executive directors and all members have the relevant experience for them to be able to consider the issues that are presented to the committee.

Meeting schedule and attendance

In terms of the approved terms of reference for the nomdac, meetings of the committee shall be held at least three times per annum and as and when required on an ad hoc basis. During the financial year ended 31 March 2018, the committee met on five occasions.

How the committee spent its time

Succession planning/composition of boards and committees	Board effectiveness	Corporate governance and review of disclosures	Training and development
65%	15%	10%	10%

Composition and meeting attendance

		DLC (5 meetings in the year)	
Members during the year	**Committee member since**	**Eligible to attend**	**Attended**
F Titi (former chairman)*	9 Sept 2010	5	5
PKO Crosthwaite (chairman)**	16 Sept 2014	5	5
ZBM Bassa***	1 April 2017	5	5
D Friedland***	16 Sept 2014	5	5
PRS Thomas****	9 Sept 2010	5	5
SE Abrahams*****	9 Sept 2010	1	1

* *F Titi stepped down as chairman of nomdac on 15 May 2018. F Titi recused himself from all discussions in relation to the appointment of the joint chief executive officer of the group.*

** *PKO Crosthwaite was appointed as chairman of nomdac on 15 May 2018.*

*** *In principle, it has been agreed that the chairs of the group's key governance committees (audit, board risk and capital, remuneration committees and social and ethics committees) be appointed to the nomdac.*

**** *PRS Thomas was appointed to the committee as a representative of Investec Bank Limited.*

***** *SE Abrahams, as representative of Investec Bank Limited, stepped down from nomdac at the Investec plc and Invested Limited AGM on 10 August 2017.*

Succession

A key area of focus for the nomdac has been with regard to succession planning. The nomdac has conducted formal succession appraisals for all key positions, and continues to ensure that succession plans are in place that will allow the managing director and the CEO to hand over operational responsibilities and leadership of the group to the next generation of leaders.

With regard to succession of the chairman, the nomdac considered whether an external search consultancy or advertising should be used. It concluded that, with the significant leadership changes being implemented in 2018, providing stability and continuity was of great importance. The nomdac considers that the appointment of the existing senior independent director (SID), Perry Crosthwaite, enhances the effectiveness of the board, and brings a new chairman who has strength of character, independence of mind and also has considerable knowledge and experience of the group.

The nomdac considers succession planning both in terms of ensuring that there are named individuals able to step in and provide cover in the event of an immediate vacancy, and in terms of ensuring that the group is increasing the internal pool of talented and skilled individuals by providing opportunities for individuals to develop and grow within the organisation.

Investec's approach to succession has been a successful one, the organisation has an excellent track record of developing talent and managing transition, and has never had a situation where it was unable to fill a key management position through internal resources.

Skills, knowledge and experience

The nomdac continually monitors the composition of the current board and considers what attributes, skills and experience are necessary in order for the board to effectively discharge its responsibilities. The nomdac has overseen the programme of directors' development to ensure that it includes training to keep directors up to speed with the latest relevant developments, including technology and cyber security.

Independence

Open and honest dialogue is part of Investec's culture. Robust independent challenge is a critical component of how the board operates. Investec has always been an organisation that places value on substance over form, and the nomdac therefore considers all relevant circumstances regarding directors' independence. However, its obligation is to ensure that directors, in fact demonstrate independence of character and judgement, and exhibit this in the boardroom by providing a challenge to the executive board members.

Nomdac considers tenure when considering independence, and when considering the composition of the board as a whole. The nomdac is mindful that there needs to be a balance resulting from the benefits brought on board by new independent directors, versus retaining individuals with valuable skills, knowledge, experience, and an understanding of Investec's unique culture that has been developed over time. For this reason, Investec has, over a number of years, operated a structured board refreshment programme whereby longer-serving members of the board step down and are replaced with new non-executive directors.

The nomdac continues to challenge and assess the independence and performance of directors, regardless of tenure, however, after nine years' service, non-executive directors are subjected to a rigorous test to establish whether they continue to demonstrate independence of character and judgement. Furthermore, all new appointments of non-executive directors are made for an initial period of three years with a clear understanding that they will be unlikely to serve for a period exceeding nine years.

There has been a significant amount of change and previous board effectiveness reviews clearly articulated the need to let these changes settle down before further changes to the composition of the board were considered.

Diversity

The nomdac, in considering the composition of the board, is mindful of all aspects of diversity. This includes gender, race, skills, experience and knowledge and a diversity policy as approved by the board.

At Investec, we embrace differences as a strength within our company. Having a diverse board is a clear benefit, bringing with it distinct and different outlooks, alternative viewpoints, and challenging mindsets.

With regard to race and gender diversity, Investec is cognisant of the recommendations of the Hampton-Alexander Review and the JSE Listings Requirements pertaining to the setting of a policy and, targets for the representation of women on the board, and has an aspirational target of 33% female representation by 2020. However, Investec is a meritocracy, and believes that targets should be achieved without the setting of formal quotas. We therefore recognise the need to create opportunities for talented individuals to move up through the organisation. To assist with this, Investec undertakes a number of diversity initiatives across the organisation which promotes female board representation.

Investec has signed up to the 30% club in South Africa, which promotes female board representation.

Related parties

Investec has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. Nomdac reviewed key related party transactions during the year and ensured that the appropriate policies had been complied with.

Subsidiary board composition

In addition to considering the composition of the board, the nomdac reviewed the composition of a number of subsidiary boards including Investec Wealth & Investment Holdings Proprietary Limited, Investec Securities Proprietary Limited, Investec Asset Management Limited and Investec Life Limited.

Corporate governance

(continued)

Committee activities

Areas of focus	What we did
Succession planning	The committee: • continually monitored, reviewed, discussed and assessed succession planning • received a forward looking report on future succession • implemented the appointment of: – Fani Titi and Hendrik du Toit as the designated Joint CEOs of Investec – Perry Crosthwaite as chairman of the Investec plc and Investec Limited Board – Zarina Bassa was appointed as SID of the group
Subsidiary board composition	The committee received reports on the composition of key subsidiaries of Investec plc and Investec Limited, including: • Investec Bank Limited • Investec Wealth & Investment Proprietary Limited • Investec Securities Proprietary Limited • Investec Asset Management Holdings Proprietary Limited • Investec Life Limited The committee: • reviewed the composition of each of the key subsidiaries of Investec Limited • considered any vacancies, new appointments or changes that would enhance the effectiveness of the boards, with particular regard to group oversight and governance of subsidiary companies with due regard to local regulatory or legal requirements and best practice, and ensuring an appropriate level of independent scrutiny at subsidiary level • agreed on the following matters: – appointment of Khumo Shuenyane as the Chairman of Investec Bank Limited – Ciaran Whelan would succeed Glynn Burger as director of risk on 1 April 2019 and remain the Global Head of the Private Bank until 31 March 2019 – Kim McFarland would succeed Glynn Burger as finance and operations director from 1 April 2019
Corporate governance	The committee: • considered the independence of Investec Limited's non-executive directors, with particular regard to: – directors who had served on the boards for a period longer than nine years – factors that might impact their independence – the directors contribution at board meetings and whether they in fact demonstrated independent challenge • specifically considered the independence of Cheryl Carolus, who had served on the board for a period exceeding nine years and concluded that it was satisfied that she indeed remained independent and should be regarded as an independent non-executive director
Board diversity	The committee: • noted governance requirements that required certain regulated entities to adopt a board diversity policy and a target for female representation on the board • approved amendments to its terms of reference in order to include these duties to ensure that Investec's board remained compliant

Committee activities *(continued)*	
Areas of focus	**What we did**
Board effectiveness	The committee: • considered the process for the 2018 board effectiveness which took the form of a self-assessment followed by one-on-one meetings between the chairman and directors • amended/added questions to the board effectiveness self-assessment regarding risk and audit, the presentation of projects to the boards, IT and succession planning • noted that the 2018 effectiveness review showed good progress on those issues identified in the independently facilitated 2015 effectiveness review
Directors' development	The committee: • considered dates and topics for future directors' development training and identified the following key topics affecting the business including: – King IV – senior managers and certificate regime – Markets in Financial Instruments Directive (MiFID) II – cyber crime and IT governance – cryptocurrency – culture – client assessed sourcebook (CASS) • considered the attendance of the subsidiary boards to the training sessions

Looking ahead

The nomdac will continue to focus on how to further develop senior management in order to support our succession plans as well as provide oversight to ensure orderly transition from founders to new appointees.

Furthermore, the nomdac will ensure the robustness of the board effectiveness programme, with due consideration and challenge and interrogation of the independence of those directors who have served for longer than nine years. The committee continuously looks forward to the challenges and opportunities that the group will face, and will continue to review the composition of the board to ensure that it is optimally structured to drive forward the strategy that will enable the group to succeed.

The nomdac will continue to focus on the composition of the board with respect to race and gender diversity, especially in light of the new requirements as set out in King IV regarding the adoption of a diversity policy.

DLC social and ethics committee report

Dear Shareholder

The DLC SEC is pleased to present its report for the 2018 financial year.

The SEC is a committee which assists the Investec Limited board in monitoring the group's performance in terms of social, environmental and governance indicators. The report aims to explain how the SEC has discharged its duties across the group.

The environment in which the group operates has been challenging. We have seen the ethical behaviour of organisations and boards across all sectors of the economy being questioned and interrogated. At Investec, we aim to ensure that the tone set at board level is filtered across the organisation in order to drive ethical behaviour which is embedded in our culture.

We recognise that economic growth and societal transformation are vital to creating a sustainable future for all the communities in which we operate and that we play a meaningful role in enabling this. We have a number of projects in place that speak to youth employment, academic programmes and Corporate Social Investment (CSI) initiatives in all territories. Furthermore, the SEC considered the environmental impact that society, as a whole, was having on the environment. Please refer to the corporate responsibility report on our website for comprehensive feedback on these activities.

Investec also recognises the contribution each employee makes towards the success of Investec. We aim to make the workplace a safe, non-biased environment in which each employee can flourish. The flat management structure at Investec is a mechanism which allows free and open discussions and enhances collaboration between divisions and employees. The committee reviewed our practices around creating a fair, diverse and inclusive working environment.

With this in mind, we placed focus on any race related matters, gender inequality and pay disparities.

We would like to congratulate Lord Malloch-Brown on his appointment as the new chairman of the SEC. We look forward to his valuable input to the committee.

Fani Titi
Former chairman, DLC SEC

18 June 2018

'Investec lives in society and not off it'

DLC social and ethics committee

Fani Titi
Former chairman of the DLC SEC

Key achievements in FY 2017/18

- 1.3% CSI spend as a % of operating profit for Investec Limited (2017: 1.4%)
- Learning and development spend as a % of staff costs is 3.9% for Investec Limited (2017: 3.8%)
- One of the first signatures to Youth Employments Services (YES).

Areas of focus in FY 2018/19

- Oversight and coordination of group social, environmental and ethics matters
- Improved communication of the various group environmental, social and ethics efforts
- Intensify our engagement in South African society to support socio-economic development
- Strong focus on sustainable development goals (SDGs)

DLC social and ethics committee report

Dear Shareholder

Core to the objectives of the SEC are the values and principles of Investec and the desire to make a meaningful contribution to the world we live in. While our shareholders remain at the forefront of the board's attention, our purpose is not only about driving profits. We strive to be a distinctive and relevant specialist bank and asset manager, demonstrating cast iron integrity, moral strength and behaviour which promotes trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstandingly empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align our culture and our approach to responsible business.

There is a strong focus on Sustainable Development Goals (SDGs) which tackle the world's most pressing social, economic and environmental challenges and how companies align these 17 goals to their strategies. Investec undertook to establish a SDG forum which will drive the SDG agenda and monitor progress.

Over the reporting period, the committee will continue to monitor Investec's environmental and social responsibilities. We are extremely proud of some of the initiatives we have in place across various territories, which include but are not limited to, academic programmes, reducing our environmental footprint, and improving our environmental social governance (ESG) policies and practices.

I would like to thank Fani Titi for his contributions made to this committee and I look forward to my new role as the chairman of the SEC.

Lord Malloch-Brown
Chairman, DLC SEC

18 June 2018

How the SEC works

Role

Our commitment to corporate responsibility means integrating social, ethical and environmental considerations. For Investec, being a good corporate citizen is about building our businesses to ensure we have a positive impact on the economy and social progress of communities and on the environment, while growing and preserving clients' and stakeholders wealth based on strong relationships and trust.

The SEC is an essential part of the group's governance framework to which the board has delegated the monitoring of the group's activities in relation to:

- social and economic development (including human rights)
- good corporate citizenship
- the Employment Equity Act and the Broad-Based Black Economic Empowerment Act
- ethical business practices
- improving our environmental social governance (ESG) policies and practices.

Composition

The nomdac and the board have formed the opinion that the SEC has the appropriate balance of knowledge and skills in order to discharge its duties. In particular, the majority of members are independent non-executive directors and all members have the relevant knowledge and experience for them to be able to consider the issues that are presented to the committee.

Meeting schedule and attendance

In terms of the approved terms of reference for the SEC, meetings of the committee shall be held quarterly, although the committee could determine that one of the scheduled meetings could be cancelled.

How the committee spent its time

DLC corporate responsibility	Policy matters	Employment matters	Reputational risk
35%	25%	20%	20%

Composition and meeting attendance

Members during the year	Committee member since	Eligible to attend (4 meetings in the year)	Attended (4 meetings in the year)
F Titi (former chairman)*	17 May 2012	4	4
Lord Malloch-Brown KCMG (chairman)**	8 August 2014	4	4
CA Carolus	17 May 2012	4	4
B Kantor	17 May 2012	4	4
S Koseff	17 May 2012	4	3
PRS Thomas***	17 May 2012	4	3

* *F Titi stepped down as chairman of the SEC on 1 April 2018.*
** *Lord Malloch-Brown KCMG was appointed as chairman of the SEC on 1 April 2018.*
*** *PRS Thomas as a representative of Investec Bank Limited.*

The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act, 2008, as amended, and its associated regulations.

Other regular attendees

- Head of sustainability and strategy
- Head of organisational development
- Head of human resources
- Head of investor relations
- Head of company secretarial and staff share schemes
- Head of Wealth & Investment
- Head of Investec Asset Management

Committee activities	
Areas of focus	**What we did**
Social and economic development (including human rights)	The committee: • ensured that the group and its subsidiaries adhere to the relevant laws in all its jurisdictions • committed to youth employment in South Africa (Investec was one of the first signatories to the Youth Employment Service (YES) initiatives)
Good corporate citizenship	The committee: • monitored various initiatives across the group • discussed and monitored the various elements of good corporate citizenship • satisfied itself that the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced
The South African Employment Equity Act	The committee: • monitored Investec Limited and its subsidiaries' compliance with the relevant legislation • monitored progress made against Investec Limited's employment equity plans • engaged with the management of human resources to address challenges around matters such as diversity and employment equity targets • engaged with members of the employment equity forum • monitored and reviewed diversity across the group and considered any regulatory developments in this regard • satisfied itself that the group did take the appropriate measures in order to comply with the relevant legislation
The South African Broad-Based Black Economic Empowerment Act	The committee: • monitored Investec Limited and its subsidiaries' compliance with the relevant legislation • monitored Investec Limited's empowerment rating and discussed with management how to improve the rating • received and reviewed detailed information on recent developments with respect to the Department of Trade and Industry Codes, the Financial Sector Charter and the scorecards • satisfied itself that the group did take the appropriate measures in order to comply with the legislation • monitored complaints, if any, both internally and externally in respect of race related matters, gender inequality and pay disparities
Contribution to the development of communities	The committee: • monitored Investec Limited and its subsidiaries' activities in contributing to the development of the communities in which its activities were predominantly conducted or within which its products and services are predominantly marketed • received regular reports on the group's corporate and social investment initiatives as well as the strategy and spend in respect thereof • satisfied itself that the Investec group contributed to the development of communities
Talent retention and attraction of employees	The committee: • agreed to the investment in learning and development opportunities for employees as well as individuals outside of the workplace • received regular reports on the learning opportunities and development of employees and others outside of the workplace
Culture and ethics	The committee: • received regular reports on the group's activities in respect of programmes offered to enhance its core values which included unselfishly contributing to society, valuing diversity and respecting others • satisfied itself that the Investec group's core values had a positive impact on the success and well-being of local communities, the environment and on overall macroeconomic stability
Reporting to shareholders of Investec Limited	The committee: • reported to the shareholders on matters within its mandate on its activities on an annual basis by means of the annual reports and at the annual general meeting of both companies • ensured that it complied with this principle

Looking ahead

The SEC will continue to monitor the economic, social and governance aspects of the organisation in accordance with best practice and statutory requirements in the jurisdictions the group operates in.

Audit committee report

Dear Shareholder

I am pleased to present you with the report of the Investec Limited and Investec Bank Limited audit committee (the Investec Limited audit committee) for the financial year ended 31 March 2018. For the purposes of this report, the term audit committees will be used to refer to the Investec Limited audit committee.

Over the following pages we will share with you some key information about the role and functioning of Investec Limited audit committee. In addition to outlining the audit committee's structure, we have included some insight into how decisions are made and where judgement should be applied to the significant issues addressed by the audit committee during the financial year. Information has been provided under the following headings, which align to the key functions of the audit committee:

- financial reporting
- external audit
- internal controls.

Committee performance

The audit committees' performance was considered as part of the board effectiveness process conducted during the financial year, which was carried out using an internal self-assessment questionnaire. This process did not identify any material areas of concern about the functioning of the audit committees.

Role of the chair

The role of the chairman of the audit committee requires regular meetings with the heads of internal audit, compliance, legal, tax, operational and IT risk, credit, finance, group head of corporate governance, as well as the lead external audit partner and senior management outside of formal committee meetings in order to maintain and develop an understanding of the group's operations and the risks facing the business. These interactions are an essential part of the role of the chairman of the audit committee, as it provides an additional layer of assurance to gain comfort that these control functions are aligned in terms of their understanding of the risks facing the business and mitigation thereof.

The audit committee and the BRCC continue to be chaired by different independent non-executive directors. David Friedland chairs the risk committee. These committees have met all legal and regulatory requirements from a composition and independence perspective, and by so doing provide an additional layer of independence between the said committees. Given the synergies and nature of matters considered by the committees, their membership is such that an element of commonality has persisted.

Looking ahead

In advancing the audit committee's efforts of the prior year, focus will be centred on further embedding the principles of King IV, specifically those pertaining to IT governance and cyber security, as well as the implementation of IFRS 9 and issues relating to conduct. Additionally, we will pay attention to the macro and micro impact of recent political events from a South African perspective, including the investigation into the capture of the South African state. The South African Banks Act and South African Companies Act, respectively, call for the audit committee to ensure that the appointed auditors remain independent. To this end and in keeping with the South African Prudential Authority, communicated 'flavour of the year' topics, the audit committee will continue to consider auditor independence and audit quality measures.

Zarina Bassa
Chairman, Investec Limited audit committee

18 June 2018

'Investec's robust governance framework is supported by its open and honest culture which helps to ensure any issues are escalated in a timely manner'

DLC audit committee

Zarina Bassa
Chairman of the Investec Limited audit committee from 1 April 2017

Key achievements in FY 2017/18

- Implementation of IFRS 9
- Monitoring of audit quality, external audit and audit partner accreditation and results of quality reviews
- Putting in place additional local and international cross review to ensure both actual and perceived audit quality

Areas of focus in FY 2018/19

- IT risk and cyber security
- Business continuity
- Conduct
- Audit quality
- Auditor independence
- Monitoring and closing of audit findings
- Related party procedures and disclosures

How the audit committees work

Role

The audit committee is an essential part of the group's governance framework to which the board has delegated the following key functions:

- oversight of the group's financial reporting process and risks
- managing the relationship with the group's external auditor
- reviewing the group's internal controls and assurance processes, including that of internal audit.

Structure of the audit committees

In terms of Investec's DLC structure, the Investec Limited board has mandated authority to the Investec Limited audit committee to be the audit committees for the respective company and its subsidiaries.

The DLC audit committee, has responsibility for audit-related matters that are common to both Investec plc and Investec Limited. In particular, the combined group annual financial statements and year-end and interim results are considered and recommended for approval to the board by the DLC audit committee.

Composition and meeting attendance

The audit committee is comprised entirely of independent non-executive directors who must meet predetermined skills, competency and experience requirements. The members' continuing independence is assessed annually by the nomdac, who in turn make a recommendation on the members' independence to the board. The nomdac and board have formed the opinion that the audit committees have the appropriate balance of knowledge and skills in order for them to discharge their duties. In particular, a majority of the members are chartered accountants and by virtue of their experience in the banking, financial services and audit sectors, members collectively have competence relevant to the sector in which the group operates. Further details of the experience of the members can be found in their biographies on pages 101 to 105.

Meeting schedule and attendance

During the financial year ended 31 March 2018, Investec Limited audit committee met four times. In addition, a number of specific meetings were convened to discuss external auditor quality, partner accreditation and independence. A further three meetings were convened to deliberate and conclude an IFRS 9.

		Investec Limited (4 meetings in the year)	
Members throughout the year	Committee member since	Eligible to attend	Attended
ZBM Bassa	1 Nov 2014	4	4
LC Bowden*	1 Jan 2015	1	0
PA Hourquebie**	14 Aug 2017	3	3
KL Shuenyane	8 Aug 2014	4	4
PRS Thomas***	17 May 2006	4	4

* *LC Bowden stepped down from the audit committees with effect from 16 August 2017.*
** *PA Hourquebie was appointed to the audit committees with effect from 14 August 2017.*
*** *PRS Thomas stepped down from the DLC and plc audit committees with effect from 10 August 2017, but remains a member of the Investec Limited audit committee representing Investec Bank Limited.*

Other regular attendees

- Chief executive officer of the group
- Managing director of the group
- Group risk and finance director of the group
- Head of compliance
- Head of IT
- Head of operational risk
- Head of internal audit
- Head of finance
- External auditors
- Head of company secretarial and share schemes
- Head of corporate governance
- Head of legal
- Head of tax
- Chief operational officer

Corporate governance

(continued)

Investec plc and Investec Limited board of directors

DLC audit committee

Responsible for matters that are common to the PLC and INL audit committee. Including the combined group financial statements and results announcements, review of the independence and effectiveness of the external audit function, review of the going concern concept, group viability statement, review of the finance function and finance director and internal auditor effectiveness

Investec Limited and Investec Bank Limited audit committee

Responsible for all legal and regulatory requirements as necessary under South African legislation and listing rules – including King IV

Subsidiaries and audit sub-committee

Assurance functions, including group compliance, group legal, group finance, tax, internal audit, external audit and group risk

Audit committees

How the committees spent their time

Investec Limited

External audit matters	Internal audit matters	Financial reporting	Risk management and internal controls (including BCP, IT risk and cyber security)	Other (including macro issues and reports from subsidiary committees)
35%	25%	20%	15%	5%

The agenda and meeting schedule for the audit committee meetings was such that the Investec Limited audit committee spent more of its time throughout the annual cycle obtaining the required assurance of control and compliance functions, which in turn allows the DLC audit committee to focus on items which are within its mandate, including consideration of the annual financial statements and assessment of the external auditor.

Financial reporting

Process

The audit committees' primary responsibility in relation to the group's financial reporting is to review with both management and the external auditor the appropriateness and accuracy of the half-year and annual financial statements.

In this process, amongst other matters, the audit committee considers:

- the appropriateness of accounting policies and practices and any areas of judgement
- significant issues that have been discussed with the external auditor
- the clarity of disclosures and compliance with financial reporting standards and other relevant financial and governance reporting requirements.

The audit committee receive reports from group finance and external audit at each of their quarterly meetings. The committee meetings afford the non-executive directors the opportunity to discuss with management the key areas of judgement applied and significant issues disclosed in the financial statements.

IFRS 9 implementation

The group adopted IFRS 9 on 1 April 2018. The audit committee has dedicated a substantial amount of time to understanding and challenging the IFRS 9 implementation programme. Three dedicated audit committee meetings of a combined audit committee/ BRCC were convened, to deliberate and conclude on IFRS 9.

Areas of judgement and significant issues

The audit committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The main areas of judgement that have been considered by the audit committee to ensure that appropriate rigour has been applied are outlined below.

All accounting policies can be found on pages 32 to 40 in volume three of the 2018 integrated annual report of Investec Limited.

Significant judgements and issues	Committee review and conclusion
Impairments • Determining the appropriateness of impairment losses requires the group to make assumptions based on management judgement • Implementation of IFRS 9 and day one adjustment	• the committee challenged the level of provisions made and the assumptions used to calculate the impairment provisions held by the group including assessing impairment experience against forecasts. Particular focus was given to the legacy portfolio and exposures which are affected by the current macro-economic environment • certain members of the audit committee attend the BRCC where impairment provisions are also challenged at a more granular level. The BRCC has oversight of the governance process pertaining to impairments • the committee was satisfied that the impairment provisions were appropriate • one of the key developments in accounting policy during the year was the preparation for the implementation of the IFRS 9 impairment standard on 1 April 2018 • the audit committee received updates and challenged on the group's key judgements, scenarios and assumptions, in addition to the key features of the IFRS 9 impairment process and the impact on financial results, capital, stress testing and earnings volatility • three dedicated audit committee meetings of a combined audit committee and BRCC were convened to conclude an IFRS 9 • the audit committee is satisfied that the group has worked with industry guidance and has taken note of the best practice recommendations which have been issued
Valuations • The group exercises judgement in the valuation of complex/illiquid financial instruments, unlisted investments and embedded derivatives, particularly the level 3 instruments within the portfolio	• material individual positions, in particular the unlisted private equity investments, are challenged and debated by the committees with the most material noted as standing agenda items for each of the audit committees throughout the year • the committee debated the portfolio valuation adjustment which was recorded to take into account macro-economic risks on the South African private equity portfolio • at the year-end, prior to the audit committee meetings, the audit committee chair met with management and received a presentation on the material investments across the group including an analysis of the key judgements and assumptions used • the audit committee approved the valuation adjustments proposed by management for the year ended 31 March 2018
Uncertain tax positions • There are certain legacy structured transactions within Investec plc where there is uncertainty over the outcome of the tax positions and judgement is required over the calculation of the provision	• the audit committee receives regular updates on this topic from tax, group finance and legal to enable it to evaluate the appropriateness of the tax provision • the audit committee analyses the judgements and estimates made and discusses the potential range of outcomes that might arise • the committee confirmed the tax provisions and disclosures for the year end

Going concern

One of the key roles of the Investec Limited audit committee is to review the going concern concept as presented by management and, if appropriate, make the necessary recommendation to the boards in this regard.

Whilst the liquidity and solvency of the Investec group is closely monitored on a daily basis by relevant individuals in the group's risk management division, the Investec Limited audit committee and board expressly consider the assumptions underlying the going concern of the Investec group as part of the annual financial results approval.

The following areas are considered in order to make this statement:
- budgets and forecasts
- profitability
- capital
- liquidity
- solvency.

For the year ended 31 March 2018, the Investec Limited audit committee recommended to the board that, based on its knowledge of the group, key processes in operation and enquiries, it is appropriate for the financial statements to be prepared on a going concern basis.

Fair, balanced and understandable

At the request of the board, the Investec Limited audit committee has considered whether, in its opinion, the annual report and financial statements for the year ended 31 March 2018 are fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

In forming its opinion, the Investec Limited audit committee has:
- met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate
- conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure.

As such, the Investec Limited audit committee has formed the view that the annual report and financial statements for the year ended 31 March 2018 are fair, balanced and understandable.

External audit

The Investec Limited audit committee has responsibility for reviewing the group's relationship with its external auditors, including, considering audit fees, all Ernst & Young non-audit services and the independence and objectivity of the external auditors. In line with the conditions set out in section 94(8) of the South African Companies Act, and based on its assessment, using the criteria set out by King IV, the audit committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

Auditor appointment

Ernst & Young Inc. and KPMG Inc. are joint auditors of Investec Limited.

The Investec Limited audit committee considers the re-appointment of the external auditors each year before making a recommendation to the board and shareholders. There will be a mandatory rotation for the 2025 audit and a competitive tender process will be conducted in advance of this time. See further information on re-election of auditors on page 131.

Auditor independence and objectivity

The Investec Limited audit committee considers the independence of the external auditors on an ongoing basis. The external auditors are required to rotate the lead audit partner every five years and other senior audit staff every seven years. Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period. The lead partners commenced their respective five-year rotation periods in 2018 (Ernst & Young Inc.: 31 January 2018 and KPMG Inc.: 31 February 2018).

Following due consideration, we continue to believe that the extent of audit cross reviews, both between the joint auditors on Investec Limited, of the additional cross reviews by the DLC auditors across the group supported by partner rotation, limitations on non-audit services including pre-approval of non-audit work and the confirmation of the independence of both Ernst & Young Inc., KPMG Inc. and their respective audit teams are adequate safeguards to ensure that the audit process is both objective and effective.

The auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Investec audit meet the independence criteria.

Non-audit services

The audit committees have adopted a policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the audit committees. The audit committees review whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group. Total audit fees paid to all auditors for the year ended 31 March 2018 were £13.6 million (2017: £10.1 million), of which £2.6 million (2017: £2.8 million) related to the provision of non-audit services.

The summary of the nature of these services is set out in note 8 Operating cost of volume three.

Total non-audit fees for each of the auditing firms were approved by the audit committee at least quarterly. Ernst & Young non-audit service fees were pre-approved by the chairman of the audit committee prior to commencing the work in line with Ernst & Young policy.

The decision to approve the engagement of the external auditor for the services noted above was due to factors including synergies and efficiencies relating to the audit work and their existing knowledge of Investec which allowed work to commence quality and with minimal disruption.

On the basis of the abovementioned policy and reviews, the audit committees were satisfied that the quantity and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young Inc. or KPMG Inc.

Working with the external auditor

The audit committees meet with the external auditors to review the scope of the external audit plan, budgets, the extent of non-audit services rendered and all other audit matters. The external auditors are invited to attend audit committee meetings and have access to the audit committees' chairman.

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

Partner accreditation and audit quality

In terms of the amended JSE Listings Requirements, external audit Partner Accreditation, which was previously done by the Independent Regulatory Board for Auditors (IRBA), is now the responsibility of the audit committee, together with a specific responsibility around audit quality. In this regard separate meetings were held by the audit committee with both Ernst & Young Inc. and KPMG Inc. The following was covered:
- transparency reports and reviews by each of the two firms covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria;
- the independence processes of the firm, including partner reward and remuneration criteria;

- interrogation of international and local firm audit quality control processes;
- detailed profiles of all partners and managers on the Investec assignment, including their relevant audit experience, were reviewed;
- each firm was requested to provide details of their respective succession plans to provide the audit committee with assurance as to the partner rotation, transition and continuity process;
- the results of the last firm-wide reviews carried out by regulatory bodies, both IRBA in South Africa as well as international bodies such as the Public Company Accounting Oversight Board (PCAOB); and
- the results of the last individual partner quality reviews carried out by the regulator; internal firm-wide quality control reviews carried out in respect of each partner;
- an audit quality questionnaire was also completed by each member of the audit committee and management, the results of which were that a robust audit is in place.

Regarding the challenges experienced by KPMG Inc. in South Africa, in the context of the SARS report and the resultant external independent investigation by SAICA (Ntsebeza Enquiry), a number of processes were initiated to ensure and confirm audit quality, both actual and perceived:

- separate audit committees and board meetings were held to consider and conclude on the group's approach to these matters;
- a number of meetings were held with KPMG leadership, both KPMG Inc. and KPMG International covering client acceptance and continuance, risk management, talent retention and continuity as well as our expectations of the international firm; and
- notwithstanding that the audit committee has been satisfied with the calibre and capability of the specific team engaged on Investec, KPMG was requested to put additional KPMG International file and technical reviews into place both for the interim and final audits.

The subsequent developments around KPMG and the VBS audit resulted in the audit committee requirement for the above-mentioned additional procedures being reconfirmed to KPMG Inc. and KPMG International, together with a request for independence reviews and confirmations in respect of all staff on the Investec engagement. Individual sessions with management, the internal auditors and each of the external auditors were undertaken as part of the year end audit committee meeting:

- partners from both Ernst & Young LLP and KPMG International attended the meeting to outline the enhanced and additional cross-reviews that had been undertaken and the results thereof, which had also been considered and reviewed by Ernst & Young Inc. the joint auditors of Investec Limited and by Ernst & Young LLP Inc., the DLC auditors;
- confirmations on independence by both firms were received; and
- assurance was received from KPMG Inc. and KPMG International that they were comfortable to sign off on the financial statements.

The committee concluded that it was satisfied that a robust audit process had been in place with deep levels of enhanced cross reviews by KPMG Inc., Ernst & Young Inc., KPMG International and Ernst & Young LLP.

Re-election of auditors

The board and audit committee is recommending the re-election of Ernst & Young Inc. and KPMG Inc. as joint auditors of Investec Limited and Investec Bank Limited at its annual general meeting in August 2018.

Our decision to retain KPMG Inc. as one of our joint auditors in South Africa was not taken lightly. The board is concerned about the failures of KPMG's internal controls and procedures as acknowledged by them. Of greater concern is the significant negative impact this has had on the country's audit profession, individual lives and the South African economy. Investec is a company that is strongly committed to its core values which require Investec employees, clients, suppliers and service providers to uphold the highest standards of ethical behaviour. We require KPMG International to hold individuals and KPMG Inc. accountable for involvement in the above-mentioned events in South Africa.

In making the recommendation for re-election of Investec Limited's and Investec Bank Limited's auditors, the board and audit committee have taken into consideration the South African Companies Act and the South African Prudential Authority requirements with respect to joint auditors and mandatory firm rotation. In addition, the need to ensure stability within the South African financial system and the audit profession at a time of uncertainty and volatility in the country as a whole is important. The board expects KPMG International to support KPMG Inc. and restore and rebuild confidence in KPMG South Africa.

The board will continue to monitor the situation closely and demand that the quality of work performed by KPMG for the group is of a high standard.

Internal controls

The Investec Limited audit committee have responsibility for assessing the adequacy of the group's internal controls. To fulfil this responsibility, the Investec Limited audit committee receive regular reports from risk management, compliance and internal audit including a written opinion from internal audit on the risk management framework, internal controls and internal financial controls. Outlined below are some of the key areas of focus of the Investec Limited audit committees over the past year in terms of their ongoing assessment of the adequacy of the group's internal controls.

Internal audit

In 2015, Grant Thornton were engaged to complete an external review on the effectiveness of the internal audit function. A recommendation of this review was to streamline the internal audit process and, in particular, reduce the number of lower level reviews. Since then, this has been a focus area for internal audit and an area of discussion at Investec Limited audit committee meetings. During the course of this year, challenge at committee meetings was centred on getting this balance right in terms of the number of audits, given the risk profile of business' activities. Delivery of the internal audit plan in a timeous manner has been another key area of focus by the Investec Limited audit committees. Monitoring the completion and close out of overdue audit findings and the resourcing of the internal audit function has also been addressed. Based on its review and the above actions, the audit committees concluded that the internal audit function continued to be effective.

Risk management

The Investec Limited audit committees receive regular reports from operational risk, information technology and compliance. During the course of the year, key topics that have been discussed and debated by the Investec plc and INL audit committees have been:

Business continuity
Consideration of the impact of the London office move in 2018 on the continuity of business operations
Information cyber security
Received and discussed the findings of a follow-up targeted attack simulation that was performed on Investec by an external provider
Regulatory compliance
Review and monitoring of results of regulatory compliance reviews

Board risk and capital committee report

As the chairman of the board risk and capital committee (the BRCC), during the financial year ended 31 March 2018, I am pleased to present our report.

The role of the committee is to review, on behalf of the board, management recommendations on a range of risks facing the business. We perform this function by considering the risk reports presented and question that either no management action is required or that existing actions taken by management following discussion are appropriate.

During the year under review all risk and capital measures remained within the board-approved risk appetite despite a number of emerging economic and political risks which presented itself. Investec Limited continued to make progress on the move towards the Advanced Internal Ratings Based (AIRB) approach in order to measure credit risk. The committee was actively involved in reviewing the various models of the AIRB project and special meetings were held where the various models were presented to the committee for approval. We have applied to the Prudential Authority for approval of the Foundation Internal Ratings Based (FIRB) approach, a transitional step to implementing the AIRB approach subject to the Prudential Authority approval, we expect to implement FIRB in 2019 in the calculation of credit risk regulatory capital. The committee reviewed and approved the capital plans for Investec Limited.

The committee monitored progress towards the full compliance with Investec Limited's Risk Data Aggregation and Risk Reporting (RDARR) by March 2018.

As a committee, we gained comfort in the fact that a detailed review of the risk appetite limits was conducted by the executives in policy executive risk review committee (Policy ERRF), who recommended the risk appetite limits to the committee for approval. We reviewed the risk appetite limits and challenged the assumptions contained therein.

Reports to the committee focus on the key risk disciplines of credit, operational, legal, conduct, reputational, capital, liquidity, market and investment risk and cyber security. However, due to the dynamic nature of the business environment in which Investec operates, the committee is flexible to consider other matters of relevance as they arise. For example, the committee requested a number of ad hoc reports in order to adequately assess risks that are due to once off events.

At each board meeting, a report is presented on the key matters discussed by the committee and focus in accordance with any new risks identified.

Committee performance

Evaluation of the committee's performance was conducted and no areas of concern in respect of the functioning of the committee were identified.

Role of the chair

During the year, meetings were held regularly with the heads of risk, as well as heads of the risk disciplines outside of formal committee meetings in order to maintain and develop an understanding of the group's operations and risks facing the business. These interactions are an essential part of the role of the chairman, as it provides an additional layer of assurance to help gain comfort that these risks that are reported to the committee accurately reflect the risks facing the business.

The audit committee has the primary role in providing assurance to the board that enterprise wide risks have been correctly identified and appropriate controls are in place. Therefore, the audit committee will rely on the output of the BRCC to give assurance as regards enterprise wide risk. As it is essential that there are some synergies in membership of the DLC audit committee and BRCC, common membership will be retained by Zarina Bassa, as the chair of the DLC audit committee, Philip Hourquebie and Khumo Shuenyane.

Looking forward

In the year ahead, the committee will continue to focus on matters related to the impact of economic conditions on Investec, effective risk data aggregation, the implementation of regulatory requirements such as Twin Peaks, Financial Intelligence Centre Act (FICA) and King IV, information security, cyber crime and risks associated with the fast pace of regulatory change faced by the business and assessing the impact of external factors on the group's risk profile. Progress made towards the AIRB project deadline will also be a regular agenda item.

The committee will continue to focus on the requirements in relation to the implementation of IFRS 9.

David Friedland
Chairman, DLC BRCC

18 June 2018

'We believe that robust risk management systems and processes are in place to support the group strategy'

DLC board risk and capital committee

David Friedland
Chairman of the DLC BRCC

Key achievements in FY 2017/18

- Review of successful targeted attack simulations to mitigate cyber crime risk
- Monitoring of progress of the AIRB project
- Monitoring of progress of RDARR Project
- Understanding and challenging the implementation of IFRS 9

Areas of focus in FY 2018/19

- Monitoring and continued mitigation of risks related to cyber crime and information security
- Monitoring of effective RDARR
- Effective risk data aggregation (fully compliant by 1 April 2018)
- Monitoring of Regulatory Developments:
  - Twin Peaks
  - FICA
- Impact of economic conditions on Investec
- The BRCC will adjust its meeting plan and focus in accordance with any new risks identified
- Monitoring and reviewing the progress made to migrate the wholesale portfolio from FIRB to AIRB

How the BRCC works

Role

The BRCC is an essential part of the group's governance framework to which the board has delegated the monitoring of the group's activities in relation to a number of risks and capital management. The BRCC is the most senior risk management committee of the group and comprises both executive and non-executive membership (the majority of which is non-executive). It covers each material banking, wealth management and asset management subsidiary company within the wider group.

The BRCC has to ensure that all risks are identified and properly mitigated and managed. Good client and market conduct is paramount in all the group does and the BRCC ensures a robust culture supported by oversight and management information to evidence good practice.

The BRCC is also the appointed board committee to meet the requirements of the South African Banks Act 94 of 1990. This requires the board of directors of a bank and a holding company to appoint a risk and capital committee.

The nomdac and the board have formed the opinion that the BRCC has the appropriate balance of knowledge and skills in order to discharge its duties. In particular, the majority of members are independent non-executive directors, as required in terms of King IV, and all members have the relevant knowledge and experience for them to be able to consider the issues that are presented to the committee.

Meeting schedule and attendance

BRCC meets at least six times every year. During the year ended 31 March 2018, the BRCC met six times.

A combined BRCC/audit committee meeting was held to receive a status update on the IFRS 9 project.

How the committee spent its time

Other (including legal, operational, group insurance, conduct risk business continuity, cyber crime and IT)	Capital	Balance sheet risk	Credit risk	Market risk
25%	25%	20%	20%	10%

Composition and meeting attendance

Members during the year	Committee member since	Eligible to attend (6 meetings in the year)	Attended (6 meetings in the year)
D Friedland (chairman)	13 Sept 2013	6	6
SE Abrahams*	11 Mar 2011	6	5
ZBM Bassa	14 Nov 2014	6	6
GR Burger	11 Mar 2011	6	5
H Fukuda OBE**	13 Sept 2013	6	6
PA Hourquebie	17 Aug 2017	4	4
B Kantor	11 Mar 2011	6	5
S Koseff	11 Mar 2011	6	6
KL Shuenyane	16 Jan 2015	6	6
B Stevenson***	4 Sept 2016	6	6
F Titi	11 Mar 2011	6	4
PRS Thomas****	11 Mar 2011	6	6

* *SE Abrahams is a representative of Investec Bank Limited.*
** *H Fukuda is a representative of Investec Bank plc.*
*** *B Stevenson is a representative of Investec Bank plc.*
**** *PRS Thomas is a representative of Investec Bank Limited.*

Other regular attendees

- Operational risk
- Investec Wealth & Investment Global Head
- Chief risk officer – Investec Limited
- Investec Asset Management COO
- Investor relations representative
- Global head of governance and compliance
- CFO Private Bank – Investec Limited (for AIRB meetings)
- AIRB project representative (for AIRB meetings)
- Head of IT security

Committee activities

Areas of focus	What we did
Recovery and resolution plan	The committee: • annually review the recovery and resolution plan for Investec Limited • questioned the contents of the recovery and resolution plans which address how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec Limited • the committee gained comfort that adequate plans had been put in place for a scenario where Investec Limited was required to recover from extreme financial stress
Operational risk *Exposure to any instance where there is potential or actual impact to the group resulting from failed internal processes, people, systems, or from external events* *This risk includes fraud, legal risk, information and IT risk*	The committee: • monitored of operational losses to ensure no further risk exist • reviewed the overall risk rating for the group • considered and reviewed the risk appetite limits for the group • monitored and reviewed regulatory compliance risk, information security risk, access risk and regulatory developments
Capital management *The progress/plan to achieving required regulatory and internal targets and capital and leverage ratios*	The committee: • measured key capital ratios against the internal and regulatory limits and what actions management planned to meet these ratios/limits • reviewed impending regulations on the management of capital – IFRS9, AIRB, IEP group impact • the committee satisfied itself that Investec Limited was adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios
Market risk *Market risk capital requirements*	The committee: • monitored risk appetite breaches and challenged management action which addressed these breaches • the committee gained comfort that the group had addressed breaches to limits appropriately
Credit and counterparty risk *Risk of an obligor failing to meet the terms of any agreement*	The committee: • monitored the risk appetite limit and queried management action taken in respective of breaches • the committee challenged the effectiveness of the management of such risks within the business
Reputational risk *Risk of damage to our reputation, name or brand*	The committee: • monitored events which could potentially create reputational risk and addressed and ensured that appropriate corporate governance practices, which require that activities, processes and decisions are based on a carefully considered principle • gained comfort that reputational risk was mitigated as much as possible through detailed processes and governance escalation procedures from business units to the board, and from regular, clear communication with all stakeholders

Committee activities *(continued)*	
Areas of focus	**What we did**
Investment risk *The probability or likelihood of occurrence of losses relative to the expected return of any particular investment*	The committee: • received regular reports regarding investment risk • reviewed and questioned the investment risk reports submitted to the committee
Conduct risk *Risk that detriment caused to the bank, its customers, its counterparties or the market as a result of inappropriate execution of business activities*	The committee: • reviewed and questioned the conduct risk report which is discussed at each meeting • challenged the effectiveness of the management of such risks within the business
Balance sheet risk *Financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange, encumbrance and leverage risks*	The committee: • reviewed a report which highlights bank activity, liquidity balances and key measures against thresholds and limits • challenged the effectiveness of the management of such risks within the business
Business continuity risk *Strategy to be able to function in the event of a disaster*	The committee: • reviewed, challenged and debated reports which highlight processes in place to manage this risk • challenged the effectiveness of the management of such risk within the business
Cyber crime risk *Cyber crime risk is the risk the group is exposed to by criminal activities carried out by means of computers or the internet*	The committee: • received regular reports regarding the cyber crime landscape, including lessons learnt from external cyber attacks • received the targeted attack simulation results and ensured that any remediation required was completed • gained comfort that the management of cyber crime was given the necessary priority

DLC remuneration committee report

For information on the decisions taken by the remuneration committee, refer to the remuneration report contained on pages 184 to 244 in volume one of our 2018 integrated annual report.

		11 meetings in the year	
Members during the year	Committee member since	Eligible to attend	Number of meetings attended during the year
PKO Crosthwaite (former chairman)*	2 Feb 2011	11	11
PA Hourquebie (chairman)**	14 Aug 2017	7	7
ZBM Bassa	10 Sept 2017	11	11
CR Jacobs	8 Aug 2014	11	10
F Titi***	18 Sept 2018	10	10

* *PKO Crosthwaite stepped down as chairman of the DLC remuneration committee with effect from 31 March 2018.*

** *PA Hourquebie was appointed to the DLC remuneration committee with effect from 14 August 2017 and was appointed chairman with effect from 1 April 2018. PA Hourquebie recused himself from any discussions in relation to the remuneration of the chairman of the DLC remuneration committee.*

*** *F Titi stepped down from the DLC remuneration committee with effect from 23 February 2018.*

Management committees

A number of management committees have been established to support management in their governance of the group. In particular, four key committees have been established to assist with the management and monitoring of the risks facing the group. These are the:

- Group risk and capital committee (GRCC)
- Review executive risk review forum (Review ERRF)
- Policy executive risk review forum (Policy ERRF)
- DLC capital committee.

Each of these committees have been established by the BRCC and the reporting line back into the board is outlined below, as well as the division of responsibilities.

Investec plc board and Investec Limited board

BRCC

GRCC

Mandated by the BRCC to manage, monitor and mitigate enterprise-wide risk

Review ERRF

Mandated by the BRCC and reporting into the GRCC to assist in determining categories of risk, the specific risks and the extent of such risks the group should undertake

Policy ERRF

Mandated by the BRCC and reporting into the GRCC to assist with the review of risk management policies and practices to ensure the organisation remains in line with the group risk appetite

DLC capital committee

Mandated by the BRCC and reporting into the GRCC to assist with the management of capital allocation and structuring, capital planning and models, performance measurement and capital-based incentivisation

Global forums/committees

Including global credit committee and group investment committee

How we comply

Regulatory context

Investec operates under a dual listed companies (DLC) structure which requires compliance with the principles contained in the South African King IV Code of Corporate Governance Principle (available at www.iodsa.co.za).

We believe that sound corporate governance depends on much more than mere compliance with regulations. Good conduct and ethical practice is embedded in everything that we do at Investec. By acting in accordance with our values and principles, we believe that good governance is ensured.

Statement of compliance

King IV

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

Further refinement required to our governance processes as a result of King IV will be made during the course of the year ahead and reported against in next year's annual report.

Other statutory information

Conflict of interest

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

External directorships

Outside business interests of directors are closely monitored and the number of directorships both executive and non-executive directors are permitted to hold.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlight potential conflicts of interest between the interest of employees and the Investec group or any of its clients, shareholders or potential shareholders.

Staff are prohibited from dealing in all listed Investec securities during closed periods. Tradings are restricted in respect of all Investec Limited, Investec plc, Investec Property Fund Limited (IPF) and Investec Australia Property Fund Limited (IAPF) securities as well as any warrants, OTC and exchange traded derivatives on the said securities. Staff are restricted from exercising options through Investec Staff Share Scheme during closed periods.

The South African Companies Act require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such reward, unless the DLC remuneration committee determines otherwise.

Directors' dealings

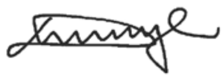
Directors' dealings in the securities of Investec Limited are subject to the JSE Listings Requirements.

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

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

Report to shareholders

This report to shareholders has been approved and authorised for issue to the shareholders of Investec Limited on 18 June 2018 and signed on its behalf by:



Niki van Wyk
Company secretary

Investec Limited

Shareholder analysis

Investec ordinary shares

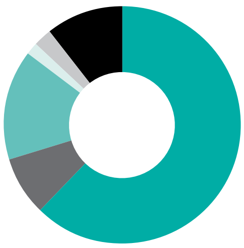
As at 31 March 2018 Investec Limited had 310.7 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2018

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 655	1 – 500	44.6%	697 644	0.2%
1 286	501 – 1 000	15.7%	991 581	0.3%
1 759	1 001 – 5 000	21.4%	3 985 673	1.3%
378	5 001 – 10 000	4.6%	2 836 314	0.9%
626	10 001 – 50 000	7.6%	14 952 706	4.8%
181	50 001 – 100 000	2.2%	12 757 948	4.1%
317	100 001 and over	3.9%	274 500 878	88.4%
8 202		**100.0%**	**310 722 744**	**100.0%**

Geographical holding by beneficial ordinary shareholder as at 31 March 2018



Investec Limited

South Africa	62.3%
UK	8.0%
USA and Canada	15.0%
Rest of Europe	1.9%
Asia	2.4%
Other countries and unknown	10.4%

Largest ordinary shareholders as at 31 March 2018

In accordance with the terms provided for in section 56 of the South African Companies Act, 2008, as amended, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

Investec Limited

Shareholder analysis by manager group	Number of shares	% holding
1. Allan Gray (ZA)	38 471 349	12.4%
2. Public Investment Corporation (ZA)	35 492 302	11.4%
3. Investec Staff Share Scheme (ZA)	14 674 608	4.7%
4. Old Mutual (ZA)	13 123 570	4.2%
5. BlackRock Inc (US & UK)	12 223 803	3.9%
6. Sanlam Group (ZA)	10 554 623	3.4%
7. The Vanguard Group, Inc (US & UK)	10 492 686	3.4%
8. Coronation Fund Managers (ZA)	10 186 937	3.3%
9. Dimensional Fund Advisors (UK)	8 276 719	2.7%
10. Entrepreneurial Development Trust (ZA)	5 547 362	1.8%
Cumulative total	**159 043 959**	**51.2%**

The top 10 shareholders account for 51.2% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Shareholder classification as at 31 March 2018

	Number of Investec Limited shares	% holding
Public*	292 552 654	94.3%
Non-public	18 170 090	5.7%
Non-executive directors of Investec Limited	325	–
Executive directors of Investec Limited	3 495 157	1.0%
Investec staff share schemes	14 674 608	4.7%
Total	**310 722 744**	**100.0%**

* *As per the JSE Listings Requirements.*

Share statistics

Investec Limited

For the period ended	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Closing market price per share (Rands)							
– period ended	92.28	91.46	109.91	100.51	84.84	64.26	47.16
– highest	105.62	112.11	121.90	107.35	85.04	69.89	57.36
– lowest	85.00	81.46	93.91	86.02	59.00	41.31	42.00
Number of ordinary shares in issue (million)	310.7	301.2	291.4	285.7	282.9	279.6	276.0
Market capitalisation (R'million)[1]	90 481	87 646	99 886	90 388	75 652	56 857	41 232
Market capitalisation (£'million)	5 393	5 213	4 662	5 045	4 325	4 061	3 340
Daily average volume of shares traded ('000)	1 031	1 149	963	739	810	980	1 033

1 *The JSE Limited have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited in calculating market capitalisation, i.e. a total of 980.6 million shares in issue.*

Investec preference shares

Investec Limited and Investec Bank Limited have issued preference shares.

Spread of preference shareholders as at 31 March 2018

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
1 083	1 – 500	18.8%	340 472	1.1%
1 321	501 – 1000	23.0%	1 089 913	3.4%
2 470	1 001 – 5000	43.0%	5 761 320	17.9%
431	5 001 – 10000	7.5%	3 112 946	9.7%
363	10 001 – 50000	6.3%	7 080 709	22.0%
44	50 001 – 100000	0.8%	3 078 559	9.6%
35	100 001 and over	0.6%	11 750 580	36.5%
5 747		**100.0%**	**32 214 499**	**100.0%**

Investec Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
44	1 – 500	59.5%	5 287	2.5%
4	501 – 1000	5.4%	3 228	1.5%
16	1 001 – 5000	21.6%	36 726	17.2%
3	5 001 – 10000	4.1%	25 346	11.9%
7	10 001 – 50000	9.5%	142 348	66.9%
–	50 001 – 100000	–	–	–
–	100 001 and over	–	–	–
74		**100.0%**	**212 935**	**100.0%**

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
760	1 – 500	21.3%	214 921	1.4%
891	501 – 1000	24.9%	774 482	5.0%
1 422	1 001 – 5000	39.8%	3 390 214	21.9%
256	5 001 – 10000	7.2%	1 850 404	12.0%
208	10 001 – 50000	5.8%	3 962 169	25.6%
21	50 001 – 100000	0.6%	1 457 218	9.4%
17	100 001 and over	0.5%	3 798 222	24.6%
3 575		**100.0%**	**15 447 630**	**100.0%**

Investec Bank Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
875	1 – 500	91.8%	110 916	32.5%
49	501 – 1000	5.1%	32 880	9.6%
20	1 001 – 5000	2.1%	36 347	10.6%
3	5 001 – 10000	0.3%	17 249	5.0%
5	10 001 – 50000	0.5%	82 499	24.1%
1	50 001 – 100000	–	6 1826	18.1%
–	100 001 and over	–	–	–
953		**100.0%**	**341 717**	**100.0%**

Largest preference shareholders as at 31 March 2018

Shareholders holding beneficial interests in excess of 5.0% of the issued preference shares are as follows:

Investec Limited perpetual preference shares

Standard Chartered Bank – Coronation Strategic Income fund 5.0%

Investec Limited redeemable preference shares

Private individual 21.9%
Private individual 12.5%
Private individual 8.2%
Private individual 7.5%
Private individual 6.9%
Private individual 5.1%

Investec Bank Limited perpetual preference shares

There were no shareholders holding beneficial interests in excess of 5.0% of the issued preference shares in Investec Bank Limited, as at 31 March 2018.

Investec Bank Limited redeemable preference shares

Saldanha Group Investments Proprietary Limited 18.1%
Sirius Motor Corporation 5.9%

Corporate responsibility business practices

Our corporate responsibility philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we support activities that either reduces the negative impact on, or prolongs the life of, our planet.

Investec as a responsible corporate citizen

At Investec we recognise that, while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promotes trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding and empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align with the culture of our organisation and our approach to responsible business.

Our culture and values demonstrate our belief that as an organisation we can and must have a positive impact on the success and well-being of communities local to our offices, the environment, and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive or exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our corporate responsibility efforts while the individual business units provide the key drivers behind our activities, in a manner that best makes sense to each.

Please refer to the website for Investec's full corporate citizenship statement.

External recognition and group memberships

Although we are not driven by awards and recognition, Investec participates and has maintained its inclusion in the following world-leading indices. These indices have been designed objectively to measure the performance of companies that meet global-recognised corporate responsibility standards.

	2018	2017	2016
Carbon Disclosure Project (CDP) (Investec is a member and Investec Asset Management is a signatory investor)	B	A-	A-
Code for Responsible Investing in South Africa (CRISA)	Signatory	Signatory	Signatory
Dow Jones Sustainability Investment Index* (score out of 100)	73	69	69
ECPI Index	Constituent	n/a	n/a
FTSE4Good Index	Included	Included	Included
FTSE/JSE Responsible Investment Index series	Constituent	Constituent	Constituent
MSCI Global Sustainability Index Series (Investec plc) – Intangible value assessment (IVA) rating	AAA	AAA	AAA
STOXX Global ESG Leaders Indices	Member	Member	Member
United Nations Global Compact	Participant	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory

* *Investec Limited ranked as one of four industry leaders on the DJSI Emerging Markets Index*

Aris Prepoudis, CEO, RobecoSam:
"I congratulate Investec whole heartedly for being included in The Sustainability Yearbook 2018. The companies included in the Yearbook are the world's most sustainable companies in their industry and are moving the ESG needle in ways that will help us realise the UN's Sustainable Development Goals by 2030"

Communication and stakeholder engagement

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

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

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern.

We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks.

Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority (UKLA) the Johannesburg Stock Exchange (JSE) and other exchanges on which our shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Prudential Authorty (previously known as the Banking Supervision Division of the South African Reserve Bank).

We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations.

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

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

We engage regularly with our stakeholders listed below:

Employees	Investors and shareholders	Clients	Rating agencies
• Communication policy • Quarterly magazine • Staff updates hosted by executive management • Group and subsidiary fact sheets • Tailored internal investor relations training • Induction training for new employees	• Annual general meeting • Four investor presentations • Stock exchange announcements • Comprehensive investor relations website • Shareholder roadshows and presentations • Regular meetings with investor relations team and executive management • Annual meeting with investor relations team and group company secretarial, the chairman of the board, senior independent director and chairman of the remuneration committee • Regular email and telephone communication • Annual and interim reports	• Four investor presentations • Regular email and telephone communications • Comprehensive investor relations website • Regular meetings with executive management • Tailored presentations • Annual and interim reports • Client relationship managers in each business	• Four investor presentations • Regular email and telephone communications • Comprehensive investor relations website • Regular meetings with investor relations team, group risk management and executive management • Tailored presentations • Tailored rating agency booklet • Annual and interim reports
Government and regulatory bodies	**Equity and debt analysts**	**Media**	**Suppliers**
• Active participation in a number of policy forums • Response and engagement with all relevant bodies on regulatory matters • Industry consultative bodies	• Four investor presentations • Stock exchange announcements • Comprehensive investor relations website • Regular meetings with investor relations and executive management • Regular email and telephone communications • Annual and interim reports	• Regular email and telephone communications • Stock exchange announcements • Comprehensive investor relations website • Regular meetings with investor relations and executive management	• Centralised negotiation process • Ad hoc procurement questionnaires requesting information on suppliers' environmental, social and ethical policies

Key topics and concerns raised by stakeholders

Macro-economic environment and sustainable returns

Its been a difficult operating environment in South Africa. We have been investing for long-term growth which may result in having to sacrifice some short-term returns. Hence, the focus has been on building resilience and creating franchise value that generates appropriate long-term returns.

We will continue to focus on the growth levers available to improve our returns, including growing our client base and core revenue drivers, leveraging off of our investment into the business, managing our liquidity and optimising our capital structure. We believe that our strategic priorities, together with the diversity of our business model that has been built over many years, will ensure the group is favourably positioned to grow in core markets, supporting future growth and delivering value to all our stakeholders.

Succession

Succession of the group's existing founder leaders has been an ongoing agenda item for most stakeholders over the past few years. In February 2018 we announced our succession plan which was well received by most stakeholders. It is acknowledged and accepted that the next year will be a time of transition as the previous leaders hand over and the next generation take up the helm as the new leadership of the group.

Executive remuneration

The updated executive remuneration policy will need to be voted in at our annual general meeting in August 2018. We have engaged extensively with shareholders to ascertain and incorporate their views on executive remuneration. Where appropriate, we will be reducing the quantum of executive remuneration as well as simplifying the structure to ensure stronger alignment to strategy with relevant targets and measurements in place for monitoring. Refer to Investec's 2018 integrated annual report for more information.

Board governance

There has been heightened scrutiny on board governance in general, particularly as corporate and audit firm scandals have increased over the past year. Investec has spent a significant time on board refreshment and composition, ensuring that the structure and shape of the board is appropriate.

Risk appetite

Rating agencies, in particular, are questioning if our risk appetite framework is relevant and appropriate given the volatile macro-economic environment. They are less concerned that profitability may be lower and more interested in how we are managing asset quality, liquidity and capital in an unpredictable macro environment. We regularly review our risk appetite framework and are comfortable that we have robust risk management processes and systems in place.

Cyber crime

The financial services industry is a highly attractive target for cyber criminals and with increased digitalisation comes heightened vulnerability. Investec's cyber resilience strategy is based upon a threat-driven approach to cyber security, rather than the contemporary compliance-driven approach. Regular targeted attack simulations by specialist companies, against the group as a whole, is used to measure and improve our cyber defences. We also employ world class security professionals and believe that people, operating within a risk conscious culture, and not just technology, are key to maintaining resilience against security threats.

Gender and diversity

Stakeholders have been interested to find out how Investec is looking at various diversity issues, including gender and reporting on the gender pay gap. Investec signed up to the 30% Club in South Africa committing Investec Limited to a target of 30% females on the board by 2020.

We also published our first gender pay gap report. Refer to Investec's 2018 integrated annual report for more information.

Transformation in South Africa

Stakeholders have been concerned about the challenges facing South Africa with very slow economic growth, rising political uncertainty, downgrades of sovereign debt and low business and consumer confidence. Investec welcomed the positive sentiment and message at the State of the Nation Address by President Cyril Ramaphosa in February 2018 to eradicate state capture, corruption and restore investor confidence and rule of law. Investec has been intimately involved in the CEO Initiative to, among other things, formulate the Youth Employment Service (YES) programme to address the unemployment issue among young people.

Investec remains committed to black economic empowerment and over time achieving the targets set out in the revised Financial Sector Code (FS Code).

Reputation

State capture in South Africa and corporate and audit scandals have heightened the awareness around who we deal with and what process is taken to 'on-board' clients. A significant amount of time and resources have been spent on anti-money laundering (AML) training with 98% of South African, UK and Australian banking employees having passed with an average of above 80% during the past financial year.

New regulations

We have received a number of questions with respect to the regulatory and accounting frameworks in which we operate. The board has focused on a number of new regulations, policies and practices including IFRS 9, King IV and the Advanced Internal Ratings Based (AIRB) and FIRB approach to capital.

Non-financial reporting

There is increased expectations around social impacts and in particular non-financial benchmarking and reporting. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations relating to the disclosure of various financial exposures to climate risk are gaining momentum. We acknowledge the TCFD recommendations that were released during the past financial year and have embarked on a process to understand the relevance of potential climate scenario's for our business and will incorporate these recommendations in the 2019 financial reporting cycle.

We have also seen increased interest in the role that the private sector will play in advancing the United Nations Sustainable Development Goals (SDGs). Investec is committed to participate and collaborate with clients, investors and public stakeholders to support the delivery of the SDGs. Through our core activities, we contribute to a number of specific SDGs and targets and have included the intersections, where relevant, throughout this report. In South Africa, we are participating in an industry-wide initiative with the Bankers Association of South Africa (BASA) to review and map our business activities, products and programmes against the SDGs to assess where Investec, currently has the greatest contribution and to determine the potential opportunities to collaborate as a sector for maximum impact.

Corporate responsibility

(continued)

Investec's corporate responsibility encompasses three key areas of people, planet and profit, including our contribution to the six capitals and our commitment to the sustainable development goals (SDGs)

People

Human capital	We depend on the experience and proficiency of our people to perform and deliver superior client services.	
	Purpose and priorities	**Impact**
	Providing a safe and healthy work environment that values physical as well as psychological well-being	72% of employees in South Africa participated in employee wellness initiatives
	Investing in our people and growing talent and leadership	Learning and development spend as a % of staff costs is 3.9% (2017: 3.8%) Learning and development spend of R277.3 million (2017: R246.7 million) 21 CAs graduated from the CA programme in the past year and were retained in our business
	Retaining and motivating staff through appropriate remuneration and rewards structures	Voluntary staff turnover rate is 8.8% in South Africa
	Respecting and upholding human rights by entrenching a value-driven culture through the organisation that is supported by strong ethics and integrity	Participant to the United Nations Global Compact and remain committed to the 10 principles
	Promoting diversity and equality at all levels of the group	55% female employees (2017: 55%) For information on our BEE transformation refer to our corporate responsibility report on our website

Intellectual capital	We use our specialist financial skills and expertise to provide efficient solutions for clients and have a robust risk management process in place.	
	Purpose and priorities	**Impact**
	Maintaining a diversified portfolio of businesses that supports performance through varying economic cycles	Consistent contribution to the group's performance from asset and wealth management businesses of 24.6% of operating profit (2017: 26.8%) Annuity income as a % of total operating income is 81.4% (2017: 79.6%)
	Leveraging our expertise in risk management to protect value	Credit loss ratio remains at the lower end of its long-term average trend at 0.28% (2017: 0.29%) **(target of <0.5% of average core advances)**
	Ensure solid and responsible lending and investing activities	Trained 116 frontline consultants on environmental, social and governance (ESG) practices in South Africa

Social and relationship capital	We leverage key stakeholder relationships to enhance our impact on society and the macro-economy.	
	Purpose and priorities	**Impact**
	Building deep durable relationships with our clients and creating new client relationships	Customer accounts (deposits) up 6.0% since 31 March 2017
	Investing in our distinctive brand and providing a high level of service by being nimble, flexible and innovative	Voted South Africa's eighth most valuable brand
	Unselfishly contributing to society through our corporate social investment (CSI) programmes	1.3% CSI spend as a % of operating profit for Investec Limited (2017: 1.4%) CSI spend of R94.2 million (2017: R85.9 million)
	Contributing to the transformation of the financial sector in South Africa	Investec will be rated under the revised Financial Sector Code (FS Code) for the first time in 2018
	Committed to youth employment in South Africa	One of the first signatories to Youth Employment Service (YES) programme

People recognition

- Voted second most attractive employer by professionals and fourth by students in South Africa in the 2017 Universum awards
- Investec CEO, Stephen Koseff won the Lifetime Achievement Award presented by the 2018 African Banker Awards

Planet

Natural capital	We support the transition to a low-carbon economy and believe we can make a meaningful impact in addressing climate change. We consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet.

Purpose and priorities	Impact
Funding and participating in renewable energy	72% of our energy lending portfolio relates to clean energy for Investec Limited
Limiting our direct operational carbon impact	Carbon emissions reduced by 6.9% **(Refer to our corporate responsibility report on our website for emission reduction targets)**
Protecting biodiversity through various conservation activities	51% increase in number of children reached through our Coaching for Conservation programme (approximately 12 000 reached since 2013) Investec Rhino Lifeline has supported the rescue of 70 rhino since 2012
Ensuring the security of natural resources in all our operations	R2.5 million spent on water initiatives to ensure continuation of business in our Cape Town office during the 2017/2018 drought

Planet recognition

- Investec group was awarded a B for the Carbon Disclosure Project (CDP) climate scoring
- The coordinator of the Investec Coaching for Conservation kids programme at Good Work Foundation won a silver award in the Eco-Logic Awards in the category 'Eco-Youth'

Profit

Financial capital	We create sustained long-term wealth by growing our core businesses.	
	Purpose and priorities	**Impact**
	Maintaining a balanced and resilient business model	Our capital light activities contributed 48% to operating income **(target of >50% of our income from capital light activities)**
	Maintaining a sound capital base and strong liquidity	Healthy capital and leverage ratios in excess of regulatory requirements **(target leverage ratio of >6%)** Cash and near cash to customer deposit ratio of 36.2% **(target of >25%)**
	Organically growing our business	Operating profit* increased 3.6% to R6 806 million (2017: R6 567 million)
	Focusing to improve the returns and operational efficiency	Investec Limited cost to income ratio 52.8% (2017: 52.3%) **(target of <55%)**
	Creating value for shareholders	4.3% increase in dividend per share for the combined Investec group Dividend cover of 2.2 times **(target of 1.7 – 3.5 times)**

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

Technological capital	We deliver efficient and effective information technology to support our businesses and facilitate our digital strategy.	
	Purpose and priorities	**Impact**
	Aligning architecture across the group and reducing our application and data footprint	90% of all servers now virtualised reducing our data centre storage footprint in South Africa by 80%
	Creating on international platform for clients with global access to products and services which is both high-tech and high-touch	Completed a number of enhancements to our digital capability *For more information refer to page 22 in volume one of our 2018 integrated annual report*
	Investing in technology to deliver exceptional client experience	Click & Invest successfully launched to market
	Maintaining a cyber resilient strategy based on a threat-driven approach rather than a contemporary compliance-driven approach	Extensive simulations on various cyber threats were conducted during the period and we are comfortable with our procedures in place All staff are required to do regular training on the prevention of cyber crime

Planet recognition

- Won the Best Digital Bank in South Africa and most innovative Digital Bank in Africa in the Best Digital Bank Awards 2017

Annexure 1: Summary employment equity progress report at 31 March 2018

Every designated employer that is a public company is required in terms of section 22 of the Employment Equity Act to publish a summary report of their employment equity progress in their integrated annual report. Investec Limited's progress in this regard is reported in the table below.

Occupational level*

	Male			
	African	Coloured	Indian	White/ Foreign
Top management	2		2	14
Senior management	67	40	88	715
Professionally qualified and experienced specialist and mid-management	256	82	129	379
Skilled, academic, junior management, supervisors, foremen and superintendents	122	35	33	58
Semi-skilled and discretionary decision-making	188	36	23	19
Total	**635**	**193**	**275**	**1 185**

	Female				
	African	Coloured	Indian	White/ Foreign	Total
Top management	1			3	22
Senior management	54	32	80	443	1519
Professionally qualified and experienced specialist and mid-management	417	171	232	635	2 301
Skilled, academic, junior management, supervisors, foremen and superintendents	133	84	63	80	608
Semi-skilled and discretionary decision-making	188	37	35	29	555
Total	**793**	**324**	**410**	**1 190**	**5 005**

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

Annexure 2: Home loan mortgage disclosure at 31 December 2017

In terms of the Home Loan Mortgage Disclosure Act 63 of 2003, all financial institutions are required to disclose information regarding the provision of home loans. Investec offers home loans to individuals through its Private Banking division. The information required to be disclosed by the Act can be seen in the tables below.

	Number of applications	Rand amount
Applications received	12 562	29 769 350 199
Approved	10 513	24 235 720 005
Declined	115	280 475 193
Disbursed/paid out	6 831	16 829 486 445

Race groups

	African		Coloured	
Analysis by race group	Number of applications	Rand amount[@]	Number of applications	Rand amount
Applications received	1 950	3 421 093 969	508	931 179 623
Approved	1 566	2 732 041 287	431	756 981 734
Declined	39	58 809 157	6	13 336 495
Disbursed/paid out	1 040	1 707 832 409	229	422 739 460

	Indian		White		Other	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	1 029	2 142 093 614	6 396	15 968 966 198	2 679	7 306 016 796
Approved	868	1 759 640 417	5 425	13 237 110 557	2 223	5 749 946 009
Declined	13	29 494 829	38	109 983 632	19	68 851 080
Disbursed/paid out	509	983 465 893	3 296	8 400 837 514	1 757	5 314 611 169

Province

	Eastern Cape		Free State	
Analysis by region	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	454	866 559 948	162	320 836 123
Approved	392	730 286 058	148	297 339 861
Declined	3	6 903 000	–	–
Disbursed/paid out	280	533 276 570	80	186 746 463

Additional information

(continued)

Province *(continued)*

	Gauteng		KwaZulu-Natal		Limpopo	
	Number of applications	Rand amount	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	6 592	15 081 614 545	1 006	2 616 994 404	93	159 226 720
Approved	5 508	12 449 841 568	809	1 989 033 663	76	119 891 360
Declined	86	201 411 847	7	13 163 680	2	9 975 700
Disbursed/paid out	3 616	8 372 602 840	571	1 410 073 534	56	99 489 986

	Mpumalanga		North West	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	235	395 200 049	109	206 788 958
Approved	190	316 745 361	95	171 427 798
Declined	2	9 600 000	–	–
Disbursed/paid out	113	262 690 970	56	106 004 984

	Northern Cape		Western Cape	
	Number of applications	Rand amount	Number of applications	Rand amount
Applications received	41	70 582 690	3 870	10 051 546 762
Approved	36	65 814 900	3 259	8 095 339 435
Declined	–	–	15	39 420 966
Disbursed/paid out	13	21 510 732	2 046	5 837 090 366

Financial statements

Directors' responsibility statement

The financial statements and the group financial statements of Investec Limited, as set out on pages 162 to 240, are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries as if Investec Limited were a standalone component of the dual listed companies structure of Investec Limited and Investec plc, as explained in the accounting policies, and are otherwise in accordance with International Financial Reporting Standards on this basis.

The directors consider that in preparing the financial statements, the company and group have used appropriate accounting policies supported by reasonable and prudent judgement and estimates.

The financial statements of the company and group have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company and group, key processes in operation and specific enquiries, that adequate resources exist to support the company and group on a going concern basis over the next year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act of South Africa. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of group financial statements and company financial statements

The directors' commentary and the financial statements of Investec Limited, which appear on pages 153 to 155 and pages 162 to 240 were approved by the board of directors on 18 June 2018.

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act, No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2018, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Niki van Wyk
Company secretary, Investec Limited

18 June 2018

Extended business review

Investec Limited is a part of an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in South Africa. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

The operating financial review on pages 15 to 27 provides an overview of our strategic position, performance during the financial year and outlook for the business.

Authorised and issued share capital

Investec Limited

During the year, the following shares were issued:

- 9 525 195 special convertible redeemable preference shares of R0.0002 each on 15 June 2017 at par
- 7 007 432 ordinary shares on 15 June 2017 at R97.45 per share (R0.0002 par and premium of R97.4498 per share)
- 1 810 386 special convertible redeemable preference shares of R0.0002 each on 22 September 2017 at par
- 2 550 138 ordinary shares on 24 November 2017 at R94.94 per share (R0.0002 par and premium of R94.9398 per share)
- 1 397 489 special convertible redeemable preference shares of R0.0002 each on 24 November 2017 at par.

On 19 May 2017, the early redemption of 26 288 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share). On 31 May 2017, the early redemption of a further 23 659 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2018. At 31 March 2018, Investec Limited held 27 013 057 shares in treasury (2017: 31 354 669). The maximum number of shares held in treasury by Investec Limited during the period under review was 32 332 430 shares.

Financial results

The results of Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2018. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

An interim dividend of 200.0 cents per ordinary share (2016: 178.0 cents) was declared to shareholders registered on 8 December 2017 and was paid on 20 December 2017.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2018 of 232 cents (2017: 225 cents) per ordinary share. The final dividend will be payable on Monday, 13 August 2018 to shareholders on the register at the close of business on Friday, 27 July 2018. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 8 August 2018.

Preference dividends

Investec Limited

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

Preference dividend number 26 for the period 1 April 2017 to 30 September 2017, amounting to 405.57588 cents per share, was declared to shareholders holding preference shares registered on 8 December 2017 and was paid on 11 December 2017.

Preference dividend number 27 for the period 1 October 2017 to 31 March 2018, amounting to 397.31947 cents per share, was declared to shareholders holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 9 for the period 1 April 2017 to 30 June 2017, amounting to 1459.78410 cents per share, was declared to shareholders holding preference shares on 21 July 2017 and was paid on 24 July 2017.

Preference dividend number 10 for the period 1 July 2017 to 30 September 2017, amounting to 1448.90208 cents per share, was declared to shareholders holding preference shares on 20 October 2017 and was paid on 23 October 2017.

Preference dividend number 11 for the period 1 October 2017 to 31 December 2017, amounting to 1441.42330 cents per share, was declared to shareholders holding preference shares on 19 January 2018 and was paid on 22 January 2018

Preference dividend number 12 for the period 1 January 2018 to 31 March 2018, amounting to 1408.96502 cents per share, was declared to shareholders holding preference shares on 20 April 2018 and was paid on 23 April 2018.

Redeemable cumulative preference shares

Dividends amounting to R22 987 563 (2017: R23 190 399) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretaries of Investec Limited are reflected on pages 101 to 107.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2018 annual general meeting.

The company secretary of Investec Limited is Niki van Wyk.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in Investec's 2018 integrated annual report.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 93 to 137.

Share incentives

Details regarding options granted during the year are set out on in the Investec's 2018 integrated annual report.

Audit committees

As allowed under the Companies Act, No 71 of 2008, as amended, and the Banks Act, No 96 of 1990, as amended, the audit committee of Investec Limited performs the necessary functions required on behalf of Investec Limited and its subsidiaries.

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division to consider the nature, scope and quality of the audit reviews and the effectiveness of our risk and control systems.

The report to shareholders by the chairman of the audit committees can be found on pages 126 to 131.

Auditors

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

Resolutions to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 8 August 2018.

Contracts

Refer to Investec's 2018 integrated annual report.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 218 to 219.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 138.

Special resolutions

Investec Limited

At the annual general meeting held on 10 August 2017, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own Class ILRP2 redeemable, non-participating preference shares, any other redeemable, non-participating preference shares and non-redeemable, non-cumulative, non-participating preference shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008

Accounting policies and disclosure

These policies are set out on pages 169 to 177.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 29 to 92.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 173 and 174 and in note 53.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate, the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided in Investec's 2018 integrated annual report.

Political donations and expenditure

Neither Investec Limited nor its subsidiaries, made political donations during the 2018 financial year (2017: R3.5 million).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information is set out in Investec's 2018 integrated annual report.

Going concern

Refer to page 152 for the directors statement in relation to going concern.

Research and development

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

Risk management policies

The group's policies for managing the financial risk to which it is exposed and exposure to price, credit, liquidity and cash flow risk are set out in the risk management section on pages 29 to 92.

The board considers that this integrated annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the board of Investec Limited

Perry Crosthwaite
Chairman

Stephen Koseff
Chief executive officer

18 June 2018

Independent auditors' report to the shareholders of Investec Limited

(continued)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Investec Limited (the group), which comprise the balance sheet at 31 March 2018, the income statement, the statement of total comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the accounting policies and the notes to the financial statements, as set out on pages 162 to 240 and the specified disclosures within the risk management and corporate governance report that are marked as audited.

In our opinion the consolidated financial statements have been prepared, in all material respects, in accordance with the basis of preparation described in the accounting policies to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, and other independence requirements applicable to performing audits of group financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to the basis of presentation disclosed in the accounting policies to the financial statements, which describes the basis of accounting. The consolidated financial statements are prepared in accordance with the group's accounting policies for the purpose of providing financial information to the shareholders. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Monitoring of credit quality and the appropriateness of the allowance for credit losses The determination of the allowance for credit losses is subject to a high degree of judgement applied by management in determining the loan impairment provisions at the balance sheet date. Collective impairments on portfolios of similar, homogenous assets are determined using sophisticated modelling techniques, which takes into account past events. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the modelling design and inputs .These impairments are only calculated for credit exposures for assets where a loss trigger event has occurred. Specific impairment allowances are determined on a case-by-case basis for specific financial assets. Significant estimates, judgements and assumptions have been applied by management in their assessment of the factors identified, indicative of objective evidence that an impairment has arisen, to estimate recoverability, including evaluating the adequacy and accessibility of collateral and determining the expected timing and amount of future cash flows. Due to the significant judgement applied by management, this was considered a key audit matter. Refer to the 'Impairments of financial assets held at amortised cost' accounting policy on page 172; notes 12 and 26 of the financial statements (pages 188 and 209); note 'Assets quality analysis – credit risk classification and provisioning policy' (pages 39 and 40) and note 'An analysis of our core loans and advances, asset quality and impairments' (pages 48 to 56).	Our audit included the following audit procedures: We evaluated the appropriateness of accounting policies and assessed the loan impairment methodologies applied, and compared these to the requirements of IAS 39 Financial instruments: Recognition and Measurement. We evaluated and tested management's processes and key controls for credit origination and monitoring, as well as their process and controls over the evaluation, calculation and recording of the allowance for credit losses. This included an assessment of their oversight and monitoring of the impairment process and the identification of impairment indicators. In particular we focused our assessment on the key controls over the monitoring of loans with higher risk of default, annual loan credit file reviews and assessment and approval of impairment provisions including the valuation of collateral. For impairments determined on specific assets our audit procedures included the following: • We selected a sample of loans and advances that had been assessed as impaired and independently evaluated the valuation of the allowance for credit losses by developing our own expectation of the allowance amount. • We performed sensitivity analyses on the expected performance of certain exposures which are affected by the current macro-economic environment. We based this on our own independent judgement and market available information including considering the impact of continued low commodity prices, including the impact on connected industries and state-owned entities.

Key audit matter	How the matter was addressed in the audit
	• We selected additional loans that were not impaired to test whether the assessment by management was appropriate, based on our own knowledge and external evidence to support our conclusions. • We evaluated management's assumptions about future cash flow projections and the valuation of collateral held, against our previous experience and available market information. • For loans where the recovery was dependent on collateral and there were no recent external valuations or where market data was not readily available, we used our valuation specialists to test the collateral valuations supporting the recovery of the loans, in particular in relation to lending collateralised by property and assets connected to commodities. For portfolios where model provisions are calculated, our audit procedures included the following, performed in conjunction with our risk specialists: • We tested the appropriateness of the methodologies and assumptions underlying the provisioning models. • We tested the information used in the models, back to source systems and input data. • We performed an independent assessment of the model estimate by applying our independent model to the entity's historical data.
Valuation of level 3 complex/illiquid financial instruments, unlisted investments and embedded derivatives There are portfolios of financial assets which include complex/illiquid financial instruments, unlisted investments and embedded derivatives that are required to be fair valued under the requirements of IAS 39. The valuation of these level 3 and unlisted investment financial assets requires a high level of judgement in applying appropriate valuation techniques, unobservable valuation inputs and assumptions. We also consider the existence of collateral in the determination of impairment provisions, if applicable. Financial instruments have an element of estimation uncertainty inherent in their balance sheet values. The estimation uncertainty is higher for the valuation of level 3 financial instruments, such as unlisted equity investments, which include significant unobservable inputs and for which there is necessarily a large degree of subjectivity surrounding the various inputs. With volatility in the global financial markets and the lack of observable liquid market inputs, determining appropriate valuations continues to be difficult and highly judgemental. This may result in subjective fair value movements to profit and loss which are material and, therefore, was considered a key audit matter. Refer to the 'Financial Instruments' accounting policies on pages 171 to 175; note 4 of the financial statements (pages 180 and 181) as well as note 14 (pages 196 to 202).	Our audit included the following audit procedures, amongst others: We tested the design, implementation and operating effectiveness of key controls identified in management's process for determining the valuation of financial instruments. We performed a detailed examination of management's valuation methodologies and evaluated the appropriateness and consistency of model inputs, key assumptions and underlying contracts. We involved the auditors' valuation specialists in the performance of this examination. Where such inputs and assumptions were not observable in the market we engaged the auditors' valuation specialists to critically assess whether these inputs and assumptions fell within an acceptable range based on relevant knowledge and experience of the market. For certain assets with collateral exposure to commodity markets, additional procedures were performed in addition to those noted above, including: • Performing a site visit to key assets. • Engaging the auditors business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this they also considered alternative inputs and assumptions; sensitivity analysis was performed on the most material inputs. • Verifying via external legal confirmations the enforceability of the collateral held. For certain unlisted investments, management applies a portfolio valuation adjustment to account for estimation and macro-economic risks that are not included in the model valuations. Together with our valuation specialists, we have formed independent estimates for acceptable valuation ranges of these investments and compared these to management's estimate in assessing the appropriateness of the portfolio valuation adjustment.

Independent auditors' report to the shareholders of Investec Limited

(continued)

Other matter

The group has separately prepared a combined consolidated set of financial statements for the year ended 31 March 2018 incorporating Investec plc and its subsidiaries in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008 on which separate auditors' reports to the shareholders of Investec Limited and Investec plc have been issued on 12 June 2018.

Other information

The directors are responsible for the other information. The other information comprises all information included in the Annual Report. Other information does not include the group financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and presentation of the consolidated financial statements in accordance with the basis of presentation described in the accounting policies to the financial statements, and for such internal control as the directors determines to be necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a

material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Limited for 43 and 24 years respectively.

Ernst & Young Inc.
Registered Auditor

Ernst & Young Inc.

Per Gail Moshoeshoe
Chartered Accountant South Africa
Registered Auditor
Director

18 June 2018

KPMG Inc.
Registered Auditor

KPMG Inc.

Per Tracy Middlemiss
Chartered Accountant South Africa
Registered Auditor
Director

18 June 2018

Independent auditors' report to the shareholders of Investec Limited

(continued)

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Investec Limited (the company), which comprise the balance sheets at 31 March 2018, the statement of total comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the accounting policies and the notes to the financial statements, as set out on pages 162 to 240 and the specified disclosures within the risk management and corporate governance report that are marked as audited.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Investec Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Declaration by the company secretary, the Directors' Report and the Audit committee's report, included in the Corporate governance report, as required by the Companies Act of South Africa 2008 and all information included in the annual report. Other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the separate financial statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008, and for such internal control as the directors determine to be necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report, because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Limited for 43 and 24 years respectively.

Ernst & Young Inc.

Registered Auditor

Ernst & Young Inc.

Per Gail Moshoeshoe
Chartered Accountant South Africa
Registered Auditor
Director

18 June 2018

KPMG Inc.

Registered Auditor

KPMG Inc.

Per Tracy Middlemiss
Chartered Accountant South Africa
Registered Auditor
Director

18 June 2018

Income statements

		Group		Company	
For the year to 31 March R'million	**Notes**	**2018**	**2017**	**2018**	**2017**
Interest income	2	32 509	30 349	119	84
Interest expense	2	(25 240)	(23 242)	(124)	(132)
Net interest income/(expense)		**7 269**	**7 107**	**(5)**	**(48)**
Fee and commission income	3	9 245	8 988	–	–
Fee and commission expense	3	(459)	(491)	–	–
Investment income	4	1 000	1 248	2 484	2 083
Share of post taxation profit of associates	28	777	306	–	–
Trading income/(loss) arising from					–
– customer flow		414	492	–	–
– balance sheet management and other trading activities		(41)	4	–	–
Other operating income	5	12	5	–	–
Total operating income before impairment losses on loans and advances		**18 217**	**17 659**	**2 479**	**2 035**
Impairment losses on loans and advances	26/27	(729)	(659)	–	–
Operating income		**17 488**	**17 000**	**2 479**	**2 035**
Operating costs	6	(9 619)	(9 238)	(65)	(49)
Operating profit before goodwill and acquired intangibles		**7 869**	**7 762**	**2 414**	**1 986**
Impairment of goodwill	33	–	(26)	–	–
Amortisation of acquired intangibles	34	(51)	(51)	–	–
Operating profit		**7 818**	**7 685**	**2 414**	**1 986**
Additional costs on acquisition of subsidiary	35	(100)	–	–	–
Gain on partial disposal of subsidiary		–	–	119	86
Profit before taxation		**7 718**	**7 685**	**2 533**	**2 072**
Taxation on operating profit before goodwill and acquired intangibles	8	(367)	(1 440)	94	(51)
Taxation on acquired intangibles	8	14	14	–	–
Profit after taxation		**7 365**	**6 259**	**2 627**	**2 021**
Profit attributable to Asset Management non-controlling interests		(156)	(156)	–	–
Profit attributable to other non-controlling interests		(907)	(1 039)	–	–
Earnings attributable to shareholders		**6 302**	**5 064**	**2 627**	**2 021**

Statements of total comprehensive income

For the year to 31 March R'million	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Profit after taxation		7 365	6 259	2 627	2 021
Other comprehensive income:					
Items that may be reclassified to the income statement					
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(93)	943	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	245	580	41	–
Gain on realisation of available-for-sale assets recycled to the income statement	8	(94)	(61)	–	–
Foreign currency adjustments on translating foreign operations		(648)	(676)	–	–
Total comprehensive income		**6 775**	**7 045**	**2 668**	**2 021**
Total comprehensive income attributable to ordinary shareholders		5 254	5 399	2 345	1 701
Total comprehensive income attributable to non-controlling interests		1 063	1 195	–	–
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		458	451	323	320
Total comprehensive income		**6 775**	**7 045**	**2 668**	**2 021**

Balance sheets

At 31 March R'million	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Assets					
Cash and balances at central banks	17	9 187	8 353	–	–
Loans and advances to banks	18	19 620	35 026	93	37
Non-sovereign and non-bank cash placements		9 993	8 993	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	19	24 217	30 567	–	–
Sovereign debt securities	20	62 403	47 822	–	–
Bank debt securities	21	7 965	7 758	350	–
Other debt securities	22	10 390	12 028	–	–
Derivative financial instruments	23	12 563	9 842	–	–
Securities arising from trading activities	24	12 289	14 320	–	–
Investment portfolio	25	6 928	6 502	367	–
Loans and advances to customers	26	249 072	227 552	–	–
Own originated loans and advances to customers securitised	27	7 630	8 673	–	–
Other loans and advances	26	265	310	–	–
Other securitised assets	27	299	173	–	–
Interests in associated undertakings	28	6 495	5 514	–	–
Deferred taxation assets	29	983	738	–	–
Other assets	30	13 305	12 040	40	–
Property and equipment	31	2 973	762	–	–
Investment properties	32	19 439	18 688	–	–
Goodwill	33	211	211	–	–
Intangible assets	34	412	508	–	–
Investment in subsidiaries	36	–	–	16 698	15 940
Non-current assets held for sale	13	–	456	–	–
		476 639	**456 836**	**17 548**	**15 977**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	37	141 071	129 596	–	–
		617 710	**586 432**	**17 548**	**15 977**
Liabilities					
Deposits by banks		27 793	35 433	–	–
Derivative financial instruments	23	15 907	12 558	–	–
Other trading liabilities	38	14 238	14 134	–	–
Repurchase agreements and cash collateral on securities lent	19	8 395	7 825	–	–
Customer accounts (deposits)		321 823	303 470	–	–
Debt securities in issue	39	6 885	8 938	532	582
Liabilities arising on securitisation of own originated loans and advances	27	2 274	1 511	–	–
Current taxation liabilities		551	1 413	43	144
Deferred taxation liabilities	29	171	238	–	–
Other liabilities	40	12 310	10 940	554	377
		410 347	**396 460**	**1 129**	**1 103**
Liabilities to customers under investment contracts	37	141 013	129 554	–	–
Insurance liabilities, including unit-linked liabilities	37	58	42	–	–
		551 418	**526 056**	**1 129**	**1 103**
Subordinated liabilities	41	15 013	13 805	1 638	625
		566 431	**539 861**	**2 767**	**1 728**
Equity					
Ordinary share capital	42	1	1	1	1
Share premium	44	12 820	11 895	12 870	11 945
Treasury shares	45	(1 552)	(1 189)	–	–
Other reserves		1 125	1 748	103	62
Retained income		26 948	23 045	907	1 691
Shareholders' equity excluding non-controlling interests		**39 342**	**35 500**	**13 881**	**13 699**
Other Additional Tier 1 securities in issue	46	900	550	900	550
Non-controlling interests	47	11 037	10 521	–	–
– Perpetual preferred securities issued by subsidiaries		1 534	1 534	–	–
– Non-controlling interests in partially held subsidiaries		9 503	8 987	–	–
Total equity		**51 279**	**46 571**	**14 781**	**14 249**
Total liabilities and equity		**617 710**	**586 432**	**17 548**	**15 977**

Cash flow statements

For the year to 31 March R'million	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Profit before taxation adjusted for non-cash and non-operating items	49	8 337	8 627	2 414	1 955
Taxation paid		(1 720)	(1 852)	(7)	(10)
Increase in operating assets	49	(34 190)	(13 286)	(716)	–
Increase/(decrease) in operating liabilities	49	25 809	12 016	127	(290)
Net cash (outflow)/inflow from operating activities		**(1 764)**	**5 505**	**1 818**	**1 655**
Cash flow on advance of loan and acquisition of associates		(189)	–	–	–
Cash flow on acquisition of property, equipment and intangible assets		(216)	(302)	–	–
Cash flow on disposal of property, equipment and intangible assets		22	31	–	–
Proceeds from partial disposal of subsidiary		188	87	119	87
Cash flow on acquisition of subsidiary	35	(100)	–	–	–
Net increase in loans to group companies		–	–	(1 670)	(336)
Net cash outflow from investing activities		**(295)**	**(184)**	**(1 551)**	**(249)**
Dividends paid to ordinary shareholders		(2 111)	(1 975)	(2 176)	(2 071)
Dividends paid to other equity holders		(1 300)	(1 089)	(323)	(320)
Proceeds on issue of shares, net of related costs		925	986	925	987
Cash flow on net acquisition of treasury shares, net of related costs		(985)	(1 165)	–	–
Issue of shares to non-controlling interests		210	284	–	–
Proceeds from subordinated debt raised	41	3 287	4 870	–	–
Repayment of subordinated debt	41	(2 205)	(2 519)	1 013	–
Proceeds on issue of Other Additional Tier 1 securities in issue		350	–	350	–
Net cash outflow from financing activities		**(1 829)**	**(608)**	**(211)**	**(1 404)**
Effects of exchange rates on cash and cash equivalents		**(866)**	**(786)**	**–**	**–**
Net (decrease)/increase in cash and cash equivalents		**(4 754)**	**3 927**	**56**	**2**
Cash and cash equivalents at the beginning of the year		33 114	29 187	37	35
Cash and cash equivalents at the end of the year		**28 360**	**33 114**	**93**	**37**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		9 187	8 353	–	–
On demand loans and advances to banks		9 180	15 768	93	37
Non-sovereign and non-bank cash placements		9 993	8 993	–	–
Cash and cash equivalents at the end of the year		**28 360**	**33 114**	**93**	**37**

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

Statements of changes in equity

R'million	Ordinary share capital	Share premium	Treasury shares
Group			
At 31 March 2016	**1**	**10 909**	**(1 249)**
Movement in reserves 1 April 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 available-for-sale assets recycled to the income statement	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income	**–**	**–**	**–**
Issue of ordinary shares	–	986	–
Movement of treasury shares	–	–	(1 165)
Share-based payments adjustments	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	1 225
Other equity movements	–	–	–
Partial disposal of group operations	–	–	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Transfer from non-controlling interests to retained income	–	–	–
Dividends declared to other equity holders included in non-controlling interest and other Additional Tier 1 security holders	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 security holders	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to non-controlling interests	–	–	–
At 31 March 2017	**1**	**11 895**	**(1 189)**
Movement in reserves 1 April 2017 – 31 March 2018			
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	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income	**–**	**–**	**–**
Issue of ordinary shares	–	925	–
Issue of other Additional Tier 1 security instruments	–	–	–
Movement of treasury shares	–	–	(985)
Share-based payments adjustments	–	–	–
Transfer from share-based payments reserve to treasury shares	–	–	622
Transfer from regulatory general risk reserves	–	–	–
Partial disposal of group operations	–	–	–
Movement in non-controlling interests due to share issues in subsidiary	–	–	–
Dividends declared to other equity holders including other Additional Tier 1 securities	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to non-controlling interests	–	–	–
At 31 March 2018	**1**	**12 820**	**(1 552)**

Other reserves									
Capital reserve account	**Available-for-sale reserve**	**Regulatory general risk reserve**	**Cash flow hedge reserve**	**Foreign currency reserve**	**Retained income**	**Shareholders' equity excluding non-controlling interests**	**Non-controlling interests**	**Other Additional Tier 1 securities in issue**	**Total**
61	**(326)**	**668**	**(1 843)**	**2 410**	**20 996**	**31 627**	**9 674**	**550**	**41 851**
–	–	–	–	–	5 064	5 064	1 195	–	6 259
–	–	–	943	–	–	943	–	–	943
–	580	–	–	–	–	580	–	–	580
–	(61)	–	–	–	–	(61)	–	–	(61)
–	–	–	–	(676)	–	(676)	–	–	(676)
–	**519**	**–**	**943**	**(676)**	**5 064**	**5 850**	**1 195**	**–**	**7 045**
–	–	–	–	–	–	986	–	–	986
–	–	–	–	–	–	(1 165)	–	–	(1 165)
–	–	–	–	–	549	549	–	–	549
–	–	–	–	–	(1 225)	–	–	–	–
–	–	(8)	–	–	6	(2)	–	–	(2)
–	–	–	–	–	73	73	12	–	85
–	–	–	–	–	–	–	286	–	286
–	–	–	–	–	8	8	(8)	–	–
–	–	–	–	–	(451)	(451)	131	64	(256)
–	–	–	–	–	–	–	(131)	(64)	(195)
–	–	–	–	–	(1 975)	(1 975)	–	–	(1 975)
–	–	–	–	–	–	–	(638)	–	(638)
61	**193**	**660**	**(900)**	**1 734**	**23 045**	**35 500**	**10 521**	**550**	**46 571**
–	–	–	–	–	6 302	6 302	1 063	–	7 365
–	–	–	(93)	–	–	(93)	–	–	(93)
–	245	–	–	–	–	245	–	–	245
–	(94)	–	–	–	–	(94)	–	–	(94)
–	–	–	–	(648)	–	(648)	–	–	(648)
–	**151**	**–**	**(93)**	**(648)**	**6 302**	**5 712**	**1 063**	**–**	**6 775**
–	–	–	–	–	–	925	–	–	925
–	–	–	–	–	–	–	–	350	350
–	–	–	–	–	–	(985)	–	–	(985)
–	–	–	–	–	656	656	–	–	656
–	–	–	–	–	(622)	–	–	–	–
–	–	(33)	–	–	33	–	–	–	–
–	–	–	–	–	103	103	85	–	188
–	–	–	–	–	–	–	210	–	210
–	–	–	–	–	(458)	(458)	133	63	(262)
–	–	–	–	–	–	–	(133)	(63)	(196)
–	–	–	–	–	(2 111)	(2 111)	–	–	(2 111)
–	–	–	–	–	–	–	(842)	–	(842)
61	**344**	**627**	**(993)**	**1 086**	**26 948**	**39 342**	**11 037**	**900**	**51 279**

Statements of changes in equity

(continued)

R'million	Ordinary share capital	Share premium	Other reserves: Capital reserve account	Other reserves: Available-sale-sale reserve	Retained income	Other Additional Tier 1 securities in issue	Total equity
Company							
At 31 March 2016	**1**	**10 958**	**62**	**–**	**2 092**	**550**	**13 663**
Movement in reserves 1 April 2016 – 31 March 2017							
Profit after taxation	–	–	–	–	2 021	–	2 021
Total comprehensive income	**–**	**–**	**–**	–	**2 021**	**–**	**2 021**
Share-based payments adjustments	–	–	–	–	(31)	–	(31)
Dividends paid to ordinary shareholders	–	–	–	–	(2 071)	–	(2 071)
Dividends declared to perpetual preference shareholders including Other Additional Tier 1 security holders	–	–	–	–	(320)	64	(256)
Dividend paid to Additional Tier 1 security holders	–	–	–	–	–	(64)	(64)
Issue of ordinary shares	–	987	–	–	–	–	987
At 31 March 2017	**1**	**11 945**	**62**	**–**	**1 691**	**550**	**14 249**
Movement in reserves 1 April 2017 – 31 March 2018							
Profit after taxation	–	–	–	–	2 627	–	2 627
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	41	–	–	41
Total comprehensive income	**–**	**–**	**–**	**41**	**2 627**	**–**	**2 668**
Share-based payments adjustments	–	–	–	–	(912)	–	(912)
Dividends paid to ordinary shareholders	–	–	–	–	(2 176)	–	(2 176)
Dividends declared to perpetual preference shareholders including Other Additional Tier 1 security holders	–	–	–	–	(323)	63	(260)
Dividend paid to Additional Tier 1 security holders	–	–	–	–	–	(63)	(63)
Issue of ordinary shares	–	925	–	–	–	–	925
Issue of Other Additional Tier 1 security instruments	–	–	–	–	–	350	350
At 31 March 2018	**1**	**12 870**	**62**	**41**	**907**	**900**	**14 781**

Basis of presentation

Under the contractual arrangements implementing the dual listed companies (DLC) structure, Investec Limited and Investec plc, the latter a company incorporated in the United Kingdom, effectively form a single economic enterprise in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards (IFRS) is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined consolidated financial statements have been separately prepared and issued on 12 June 2018.

The Companies Act of South Africa does not specifically envisage a reporting structure such as the DLC structure. The combined consolidated financial statements of Investec Limited and Investec plc are considered the statutory financial statements of Investec Limited and Investec plc. The attached group financial statements of Investec Limited are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the absence of a DLC structure, and are prepared in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the DLC structure, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement and prepared for the purpose of providing financial information to the shareholders. The company financial statements have been prepared in accordance with IFRS and the Companies Act of South Africa. For an understanding of the financial position, results and cash flows of the Investec DLC structure, the user is referred to the combined consolidated financial statements of Investec Limited and Investec plc.

The group and company financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, or subject to hedge accounting, that have been measured at fair value.

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

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

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report and corporate governance sections on pages 29 to 89.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report in Investec's 2018 integrated annual report.

Basis of consolidation

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between Investec and an entity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The group also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

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

All intergroup balances, transactions and unrealised gains or losses within the group, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses. This includes revenues and expenses that relate to transactions with any of the group's other components. The operating results for which discrete financial information is available for the operating segments are reviewed regularly by chief operating decision-makers which include members of the board.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely Asset Management, Wealth & Investment and Specialist Banking. Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group.

For further detail on the group's segmental reporting basis refer to pages 6 and 7.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 in the income statement. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period in which the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

All entities of the group account for any share-based payment recharge costs allocated to equity in the period during which it is levied in their separate financial statements. Any excess over and above the recognised share-based payment expense is accounted for as an expense in the income statement. This cost is presented with the share-based payment expense in note 7.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for a modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date, of modification.

Foreign currency transactions and foreign operations

The presentation currency of the group is South African Rand, being the functional currency of the company, and the currency in which its subsidiaries mainly operate, except Mauritius which is in US Dollars.

Foreign operations are subsidiaries, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise based on rates of exchange ruling at the date of the transactions. At each balance sheet date, foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost are translated using the exchange rates ruling at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date of the valuation, with movements due to changes in foreign currency being presented in terms of the accounting policy for changes in the fair value movement of the respective item.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive

income (foreign currency translation reserve), which is reclassified to the income statement on disposal of the foreign operation

- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity.

Revenue related to provision of services is recognised when the related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest rate method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest rate method is based on the estimated life of the underlying instrument and, where this estimate is not readily available, the contractual life.

Fee and commission income includes fees earned from providing advisory services as well as portfolio management and includes rental income from investment properties. Investment advisory and management fees are accrued over the period to which the income relates. Performance fees are recognised when they become receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Trading income arising from customer flow includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit is shown net of the funding costs of the underlying positions and includes the unrealised profit on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which are included in investment income), operating lease income, income from interests in associated undertakings and income from assurance activities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss.

Financial instruments classified as held-for-trading or designated as held at fair value through profit or loss are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- it eliminates or significantly reduces an inconsistent measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; and
- a contract contains one or more embedded derivatives (which significantly

modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest rate method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held-for-trading and those that the group designates at fair value through profit or loss
- Those that the group designates as available-for-sale
- Those for which the group may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows over the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate, is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line, 'impairment losses on loans and advances'.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain debt instruments that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value, with unrealised gains or losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously reclassified to other comprehensive income is reclassified to the income statement. Interest earned while holding available-for-sale financial assets is reported in the income statement as interest income using the effective interest rate. Dividends earned while holding available-for-sale financial assets are recognised in the income statement when the right to payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified.

Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held-for-trading or designated as held at fair value through profit or loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest rate method.

Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss are measured at fair value.

All changes in fair value of financial liabilities are recognised in the income statement.

Day one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, when the instrument is derecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for impairment at each balance sheet date and when an indicator of impairment is identified.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group.

An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in rare circumstances, non-derivative financial assets out of the held-for-trading category into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit or loss, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the income statement
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income arising from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in the foreign currency translation reserve in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. Where the instrument does not meet the definition of a derivative due to its valuation being dependent on non-financial variables, it is accounted for as an executory contract.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Sale and repurchase agreements (including securities borrowing and lending)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

The cash collateral from agency based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

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

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the group is the lessor and included in liabilities where the group is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to the income statement in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/ credited in the income statement on a straight-line basis over the lease term. Contingent rentals (if any) are accrued to the income statement when incurred.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment is as follows:

- Equipment 10% – 33%
- Furniture and vehicles 10% – 25%
- Freehold properties 2%
- Leasehold improvements*

* *Leasehold improvements' depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property depreciation rates are determined by reference to the period of the lease.*

No depreciation is provided on freehold land. However, similar to other property related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or losses recognised in the income statement in 'investment income'. Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments. Intangible assets with finite lives, are amortised over the useful economic life (currently three to eight years) on a straight-line basis. The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset.

Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying value of non-financial assets, other than investment property for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversal is identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Non-current assets held for sale

Non-current assets held for sale are measured at the lower of cost and fair value less costs to sell.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients. As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation asset can be utilised. Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

Employee benefits

The group operates various defined contribution schemes.

All employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post-retirement benefits.

Short-term employee benefits are expensed as the related service is provided. A liability recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 and will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is for annual periods beginning on or after 1 January 2018 with early adoption permitted. The two key elements that would impact the group's accounting policies include:

- classification and measurement of financial assets and financial liabilities: the standard requires that all financial assets be classified as either held at fair value through profit or loss, fair value through other comprehensive income or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. Financial assets which are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (and whose contractual cash flows represent solely payments of principal and interest) will be measured at fair value through other comprehensive income. The standard further provides that gains or losses on assets held at fair value are recognised in the income statement unless the entity has elected to recognise gains or losses on non-trading equity investments directly through other comprehensive income. With reference to financial liabilities held at fair value, the standard requires that changes to fair value attributable to own credit risk are recognised directly in other comprehensive income without recycling through the income statement;
- impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition an allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk since initial recognition, IFRS 9 requires the recognition of lifetime expected credit losses. Impairment measurement will involve increased complexity and significant judgements on areas such as the estimation of probabilities of default, loss given default, unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing whether a significant increase in credit risk has occurred.

IFRS 9 also includes guidance on hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks.

The standard does not address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The group intends to continue applying IAS 39's hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements, until the macro hedge accounting project has been completed.

On 12 October 2017, the IASB published an amendment to IFRS 9, relating to prepayment features with negative compensation; this amendment is effective from 1 January 2019 with early application permitted. This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided the SPPI (solely payments of principal and interest) criteria in IFRS 9 are otherwise met. In addition the amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The group's loans with such prepayment features are present in some fixed rate loans, and are considered to meet the criteria for amortised cost under IFRS 9. This is because the prepayment features within these loans are consistent with the solely payments of principal and interest criteria if the prepayment feature substantially represents unpaid amounts of principal and interest and reasonable compensation for early termination of the contract.

Transitional impact

IFRS 9 is effective and will be implemented by the group from 1 April 2018. The group will provide its detailed transitional disclosures when it publishes its annual report for the year ended 31 March 2018 on 29 June 2018.

The adoption of IFRS 9, by applying the accounting policies and ECL measurement methodologies has resulted in a decrease of shareholder's equity of R894 million at 1 April 2018.

Balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions increased by R655 million from R1.5 billion as at 31 March 2018 to R2.2 billion as at 1 April 2018. This is driven by an increase in stage 1, stage 2 and stage 3 impairments of R809 million, partially offset by a reduction of R154 million as a result of the changes in classification and measurement of certain of the group's financial assets to fair value. The increase in impairment allowance and provisions reduced the common equity tier 1 (CET 1) ratio by 15bps on a fully loaded basis, or 4bps on a day one impact transitional basis.

Changes in classification and measurement of certain financial assets

In addition, changes in classification and measurement of certain of the group's other financial assets resulted in a decrease to equity of R423 million (post taxation), with a 16bps impact on the CET 1 ratio. Taken together, the adoption of IFRS 9 resulted in a decrease in Investec Limited's transitional CET 1 ratio of 20bps from 10.2% to 10.0%, in line with the group's target and in excess of minimum regulatory requirements. Investec Limited confirmed to the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank) that it will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2018 with early application permitted.

IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. Although the standard should be applied retrospectively, with certain practical expedients available, the group's current measurement and recognition principles are aligned to the standard and there is no impact to measurement principles currently applied. The impact of the disclosure requirements of the standard is currently being finalised however no significant effect is expected.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The IFRS 17 is effective from 1 January 2021 and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

In preparation of the financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments primarily in the private equity and direct investments portfolios and embedded derivatives. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility.

Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 58 to 60.

- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Properties in the listed fund are valued according to the JSE Listings Requirements.

Refer to note 32 for the carrying value of investment property with further analysis contained in the risk management section on pages 58 to 60.

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature.

Refer to pages 35 to 57 of the risk management section for further analysis on impairments.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involves a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. The carrying amount of this provision is often dependent on the timetable and progress of discussions and negotiations with the relevant tax authorities, arbitration processes and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group
- In making any estimates, management's judgement has been based on various factors, including:
  - The current status of tax audits and enquiries
  - The current status of discussions and negotiations with the relevant tax authorities
  - The results of any previous claims
  - Any changes to the relevant tax environments
  - Where appropriate the group has utilised expert external advice as well as experience of similar situations elsewhere in making any such provisions.
- Determination of interest income and interest expense using the effective interest rate method involves judgement in determining the timing and extent of future cash flows.

For the year to 31 March R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Consolidated segmental analysis					
Group					
2018					
Segmental business analysis – income statement					
Net interest income	90	95	7 084	–	7 269
Net fee and commission income	3 128	1 472	4 186	–	8 786
Investment income	1	2	997	–	1 000
Share of post taxation profit of associates	–	–	777	–	777
Trading income/(loss) arising from					
– customer flow	–	(9)	423	–	414
– balance sheet management and other trading activities	2	(3)	(40)	–	(41)
Other operating income	1	–	11	–	12
Total operating income before impairment on loans and advances	**3 222**	**1 557**	**13 438**	**–**	**18 217**
Impairment losses on loans and advances	–	–	(729)	–	(729)
Operating income	**3 222**	**1 557**	**12 709**	**–**	**17 488**
Operating costs	(1 947)	(1 054)	(6 345)	(273)	(9 619)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**1 275**	**503**	**6 364**	**(273)**	**7 869**
Profit attributable to non-controlling interests	(156)	–	(907)	–	(1 063)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**1 119**	**503**	**5 457**	**(273)**	**6 806**
Cost to income ratio	60.4%	67.7%	47.2%	n/a	52.8%
Total assets (R'million)	142 856	15 183	459 671	–	617 710
2017					
Segmental business analysis – income statement					
Net interest income	92	134	6 881	–	7 107
Net fee and commission income	3 233	1 385	3 879	–	8 497
Investment income	2	2	1 244	–	1 248
Share of post taxation profit of associates	–	–	306	–	306
Trading income/(loss) arising from					
– customer flow	–	5	487	–	492
– balance sheet management and other trading activities	(18)	(3)	25	–	4
Other operating income	5	–	–	–	5
Total operating income before impairment on loans and advances	**3 314**	**1 523**	**12 822**	**–**	**17 659**
Impairment losses on loans and advances	–	–	(659)	–	(659)
Operating income	**3 314**	**1 523**	**12 163**	**–**	**17 000**
Operating costs	(1 963)	(1 009)	(6 033)	(233)	(9 238)
Operating profit/(loss) before goodwill, acquired intangibles and non-controlling interests	**1 351**	**514**	**6 130**	**(233)**	**7 762**
Profit attributable to non-controlling interests	(156)	–	(1 039)	–	(1 195)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**1 195**	**514**	**5 091**	**(233)**	**6 567**
Cost to income ratio	59.2%	66.3%	47.1%	n/a	52.3%
Total assets (R'million)	132 057	15 561	438 814	–	586 432

The company's activities mainly comprise central funding activities within the Specialist Banking segment.

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide the information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is centrally held. No geographical analysis has been presented as the group only operates in one geographical segment, namely Southern Africa.

2. Net interest income/(expense)

For the year to 31 March R'million	Notes	Group 2018 Balance sheet value	Group 2018 Interest income	Group 2017 Balance sheet value	Group 2017 Interest income	Company 2018 Balance sheet value	Company 2018 Interest income	Company 2017 Balance sheet value	Company 2017 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	133 385	7 315	138 519	7 244	443	16	37	3
Core loans and advances	2	256 702	23 489	236 225	21 639	–	–	–	–
Private client		173 299	15 741	157 854	14 529	–	–		–
Corporate, institutional and other clients		83 403	7 748	78 371	7 110	–	–	–	–
Other debt securities and other loans and advances		10 655	753	12 338	1 060	–	–	–	–
Other interest-earning assets	3	299	952	173	406	1 620	103	930	81
Total interest-earning assets		**401 041**	**32 509**	**387 255**	**30 349**	**2 063**	**119**	**967**	**84**

For the year to 31 March R'million	Notes	Group 2018 Balance sheet value	Group 2018 Interest expense	Group 2017 Balance sheet value	Group 2017 Interest expense	Company 2018 Balance sheet value	Company 2018 Interest expense	Company 2017 Balance sheet value	Company 2017 Interest expense
Deposits by banks and other debt-related securities	4	43 073	(2 122)	52 196	(2 151)	532	(13)	582	(35)
Customer accounts (deposits)		321 823	(21 434)	303 470	(19 797)	–	–	–	–
Other interest-bearing liabilities	5	2 274	(423)	1 511	(240)	–	(23)	–	(23)
Subordinated liabilities		15 013	(1 261)	13 805	(1 054)	1 638	(88)	625	(74)
Total interest-bearing liabilities		**382 183**	**(25 240)**	**370 982**	**(23 242)**	**2 170**	**(124)**	**1 207**	**(132)**
Net interest income/ (expense)			**7 269**		**7 107**		**(5)**		**(48)**
Net interest margin			**1.84%***		**1.86%***		**(0.71%)**		**(6.02%)**

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

* *Impacted by debt funding issued by the Investec Property Fund in which the group has a 26.75% interest. Excluding this debt funding cost, the net interest margin amounted to 1.99% (2017: 1.99%).*

Notes to the financial statements

(continued)

For the year to 31 March R'million	Group 2018	Group 2017
3. Net fee and commission income		
Asset management and wealth management businesses net fee and commission income	**4 600**	**4 618**
Fund management fees/fees for assets under management	4 002	4 056
Private client transactional fees	728	717
Fee and commission expense	(130)	(155)
Specialist Banking net fee and commission income)	**4 186**	**3 879**
Corporate and institutional transactional and advisory services	3 712	3 536
Private client transactional fees	803	679
Fee and commission expense	(329)	(336)
Net fee and commission income/(expense)	**8 786**	**8 497**
Annuity fees (net of fees payable)	7 558	6 945
Deal fees	1 228	1 552

Trust and fiduciary fees amounts to R4.7 million (2017: R4.6 million) and is included in private client transactional fees in the group.

For the year to 31 March R'million	Asset portfolio Investment portfolio (listed and unlisted equities)*	Asset portfolio Debt securities (sovereign, bank and other)	Asset portfolio Investment properties	Asset portfolio Other asset categories	Total
4. Investment income					
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:					
2018					
Group					
Realised	705	128	217	20	1 070
Unrealised^	(768)	–	445	(3)	(326)
Dividend income	306	–	–	2	308
Funding and other net related (costs)/income	(81)	–	–	29	(52)
	162	**128**	**662**	**48**	**1 000**
Company					
Realised	2	–	–	–	2
Unrealised	23	–	–	–	23
Dividend income**	17	–	–	2 442	2 459
	42	**–**	**–**	**2 442**	**2 484**

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

For the year to 31 March R'million	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
	Asset portfolio				
4. Investment income *(continued)*					
The following table analyses investment income generated by the asset portfolio shown on the balance sheet:					
2017					
Group					
Realised	361	127	373	43	904
Unrealised^	(298)	35	354	(83)	8
Dividend income	337	–	–	9	346
Funding and other net related (costs)/income	(68)	–	–	58	(10)
	332	**162**	**727**	**27**	**1 248**
Company					
Dividend income**	–	–	–	2 083	2 083
	–	**–**	**–**	**2 083**	**2 083**

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

For the year to 31 March R'million	Group 2018	Group 2017
5. Other operating income		
Rental income from properties	7	2
Unrealised gains on other investments	5	3
	12	**5**

Notes to the financial statements

(continued)

For the year to 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
6. Operating costs				
Staff compensation costs	6 869	6 251	65	46
– Salaries and wages (including directors' remuneration)^	5 748	5 292	65	46
– Share-based payment expense	734	622	–	–
– Social security costs	86	74	–	–
– Pensions and provident fund contributions	301	263	–	–
– Training and other costs	232	161	–	–
Staff costs	7 101	6 412	65	46
Premises (excluding depreciation)	138	495	–	–
Equipment (excluding depreciation)	668	627	–	–
Business expenses*	1 028	996	–	3
Marketing expenses	457	505	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	227	203	–	–
	9 619	**9 238**	**65**	**49**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided in the group:				
Ernst & Young fees				
Fees payable to the companies' auditors for the audit of the companies' accounts	35	13	20	7
Fees payable to the companies' auditors and its associates for other services:				
– Audit of the company's subsidiaries pursuant to legislation	13	24	–	–
– Other	3	4	2	–
	51	**41**	**22**	**7**
KPMG fees				
Fees payable to the companies' auditors for the audit of the companies' accounts	41	24	1	1
Fees payable to the companies' auditors and its associates for other services:				
– Audit of the company's subsidiaries pursuant to legislation	6	7	–	–
– Other services	11	2	–	–
	58	**33**	**1**	**1**
Total	**109**	**74**	**23**	**8**

The increase in audit fees during 2018 relates to IFRS 9 and inflationary adjustments.

^ *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report in volume one of Investec's 2018 integrated annual report.*

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscription costs.*

For the year to 31 March R'million	Group Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
7. Share-based payments					
The group operates share option and long-term share incentive plans for employees which are on an equity-settled basis. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.					
Share-based payments expense					
2018					
Equity-settled	**29**	**63**	**623**	**19**	**734**
2017					
Equity-settled	**45**	**59**	**499**	**19**	**622**

For the year to 31 March Number of share options	Group 2018	2017
Details of options and shares outstanding during the year		
Outstanding at the beginning of the year	35 944 931	37 773 545
Granted during the year	7 087 012	6 527 507
Exercised during the year^	(14 784 164)	(7 328 694)
Expired during the year	(1 431 562)	(1 027 427)
Outstanding at the end of the year	**26 816 217**	**35 944 931**
Vested and exercisable at the end of the year	**359 963**	**9 413**

^ *The weighted average share price for options exercised during the year and weighted average exercise price was R96.49 (2017: R94.43) and Rnil (2017: Rnil) respectively.*

For information on the share options granted to directors, refer to volume one of Investec's 2018 integrated annual report.

For the year to 31 March	Group 2018	Group 2017
7. Share-based payments *(continued)*		
Long-term incentive grants with no strike price		
Weighted average remaining contractual life	1.84 years	1.76 years
Weighted average fair value of options and long-term grants at measurement date	R96.61	R98.30
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	R94.94 – R97.45	R89.97 – R105.30
– Exercise price	Rnil	Rnil
– Expected volatility	n/a	n/a
– Option life	4.75 years	4.5 – 5 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

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

For the year to 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
8. Taxation				
Current taxation				
Southern Africa				
Current taxation	682	1 825	(94)	51
In respect of current year	1 479	1 951	20	51
In respect of release of tax provisions no longer required	(797)	–	(114)	–
In respect of prior year adjustments	–	(126)	–	–
Deferred taxation	(360)	(431)	–	–
Total South African taxation	**322**	**1 394**	**(94)**	**51**
Foreign current taxation				
Mauritius	25	27	–	–
Botswana	6	5	–	–
Total foreign taxation	**31**	**32**	**–**	**–**
Total taxation charge as per the income statement	**353**	**1 426**	**(94)**	**51**
Taxation on operating profit before goodwill and intangible assets	367	1 440	(94)	51
Taxation on acquired intangibles	(14)	(14)	–	–
Tax rate reconciliation:				
Profit before taxation as per the income statement	7 718	7 685	2 533	2 072
Total taxation charge as per the income statement	353	1 426	(94)	51
Effective rate of taxation	**4.6%**	**18.6%**	**(3.7%)**	**2.5%**
The standard rate of South African normal taxation has been affected by:				
Dividend income	2.6%	2.2%	27.1%	28.1%
Qualifying distribution	4.4%	5.3%	–	–
Other Additional Tier 1 securities interest	0.2%	0.2%	0.7%	0.9%
Foreign earnings*	1.3%	1.8%	–	–
Impairment of goodwill	–	(0.1%)	–	–
Prior year taxation adjustments	0.1%	1.7%	–	–
Release of tax provisions no longer required	10.3%	–	4.5%	–
Profits taxed at CGT	–	–	1.3%	1.2%
Assessed losses	0.5%	0.5%	–	–
Other non-taxable/non-deductible differences^	4.0%	(2.2%)	(1.9%)	(4.7%)
	28.0%	**28.0%**	**28.0%**	**28.0%**

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

^ *Included in other non-taxable/non-deductible differences is an amount of which impacts effective rate of taxation by 2.8% in the group and is related to equity accounted earnings of associates.*

	Group 2018	Group 2017
Other comprehensive income taxation effects		
Fair value movements on cash flow hedge movements taken directly to other comprehensive income	(93)	943
– Pre-taxation	51	1 268
– Current taxation effect	(144)	(325)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	245	580
– Pre-taxation	332	650
– Deferred taxation effect	(87)	(70)
Gain on realisation of available-for-sale assets recycled through the income statement	(94)	(61)
– Pre-taxation	(131)	(85)
– Deferred taxation effect	37	24

For the year to 31 March R'million	Group 2018	Group 2017
9. Headline earnings		
Earnings attributable to shareholders	6 302	5 064
Dividends paid to perpetual preference shareholders	(458)	(451)
Earnings attributable to ordinary shareholders	**5 844**	**4 613**
Headline adjustments:	(354)	(263)
Impairment of goodwill	–	26
Revaluation of investment properties^	(260)	(260)
Gain on available-for-sale assets recycled to the income statement^	(94)	(61)
Loss on non-current assets held for sale^	–	32
Headline earnings attributable to ordinary shareholders	**5 490**	**4 350**

^ *Taxation on headline earnings adjustments amounted to R88.6 million (2017: R55.1 million) with a R350.5 million (2017: R425.9 million) impact on earnings attributable to non-controlling interests.*

For the year to 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
10. Dividends				
Ordinary dividend				
Final dividend-prior year*	1 048	1 473	1 084	1 535
Interim dividend-current year*	1 063	502	1 092	536
Total dividend attributable to ordinary shareholders recognised in current financial year	**2 111**	**1 975**	**2 176**	**2 071**
The directors have proposed a final dividend in respect of the financial year ended 31 March 2018 of 232 cents (2017: 225 cents) per ordinary share. The final dividend will be payable on Monday, 13 August 2018 to shareholders on the register at the close of business on Friday, 27 July 2018. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Wednesday, 8 August 2018.				
Perpetual preference dividend				
Final dividend-prior year	198	187	131	124
Interim dividend-current year	197	200	129	132
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**395**	**387**	**260**	**256**
The directors have declared a final dividend in respect of the financial year ended 31 March 2018 of 397.31947 cents (2017: 407.17389) per Investec Limited perpetual preference share and 425.72498 cents (2017: 436.28392 cents) per Investec Bank Limited perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 8 June 2018.				
Dividends attributable to Other Additional Tier 1 securities in issue	**63**	**64**	**63**	**64**
The R550 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25% on a quarterly basis as set out in note 46.				
Total dividends declared to other equity holders including Other Additional Tier 1 securities	**458**	**451**	**323**	**320**

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

For the year to 31 March R'million	Group 2018	Group 2017
11. Operating lease disclosure		
Operating lease expenses recognised in operating costs:		
Minimum lease payments	**161**	**410**
Operating lease income recognised in income:		
Minimum lease payments	**1 815**	**1 742**

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

At 31 March R'million	Group 2018	Group 2017
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	1 310	1 415
One to five years	3 234	3 470
Later than five years	936	1 003
	5 480	**5 888**

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

Refer to note 51 for detail on operating lease commitments.

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

For the year to 31 March R'million	At fair value through profit or loss Trading	At fair value through profit or loss Designated at inception
Group		
2018		
Net interest income	620	3 269
Fee and commission income	294	114
Fee and commission expense	–	(1)
Investment income	123	134
Share of post taxation profit of associates	–	–
Trading income arising from		
– customer flow	254	9
– balance sheet management and other trading activities	279	(205)
Other operating income	–	1
Total operating income before impairment losses on loans and advances	**1 570**	**3 321**
Impairment losses on loans and advances	–	–
Operating income	**1 570**	**3 321**
2017		
Net interest income	847	1 377
Fee and commission income	248	(11)
Fee and commission expense	–	(7)
Investment income	(316)	763
Share of post taxation profit of associates	–	–
Trading income arising from		
– customer flow	551	67
– balance sheet management and other trading activities	400	(338)
Other operating income	–	5
Total operating income before impairment losses on loans and advances	**1 730**	**1 856**
Impairment losses on loans and advances	–	–
Operating income	**1 730**	**1 856**
Company		
2018		
Net interest income/(expense)	–	–
Investment income	–	27
Total operating income before impairment losses on loans and advances	**–**	**27**
2017		
Net interest income/(expense)	–	–
Investment income	–	–
Total operating income before impairment losses on loans and advances	**–**	**–**

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	129	24 626	1 816	(23 191)	–	–	7 269
	–	1 133	–	3	1 981	5 720	9 245
	–	(93)	–	(18)	(75)	(272)	(459)
	–	(13)	54	–	702	–	1 000
	–	–	–	–	777	–	777
	–	(5)	–	156	–	–	414
	–	(38)	(1)	(22)	(54)	–	(41)
	–	–	–	–	11	–	12
	129	**25 610**	**1 869**	**(23 072)**	**3 342**	**5 448**	**18 217**
	–	(729)	–	–	–	–	(729)
	129	**24 881**	**1 869**	**(23 072)**	**3 342**	**5 448**	**17 488**
	663	22 062	2 125	(19 966)	(1)	–	7 107
	–	1 170	–	1 536	372	5 673	8 988
	–	(119)	–	(43)	(41)	(281)	(491)
	–	–	90	590	121	–	1 248
	–	–	–	–	306	–	306
	–	–	–	(126)	–	–	492
	–	–	(2)	(56)	–	–	4
	–	–	–	–	–	–	5
	663	**23 113**	**2 213**	**(18 065)**	**757**	**5 392**	**17 659**
	–	(659)	–	–	–	–	(659)
	663	**22 454**	**2 213**	**(18 065)**	**757**	**5 392**	**17 000**
	–	119	–	(124)	–	–	(5)
	–	–	14	–	2 443	–	2 484
	–	**119**	**14**	**(124)**	**2 443**	**–**	**2 479**
	–	84	–	(132)	–	–	(48)
	–	–	–	–	2 083	–	2 083
	–	**84**	**–**	**(132)**	**2 083**	**–**	**2 035**

At 31 March R'million	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale
13. Analysis of financial assets and liabilities by category of financial instrument			
Group			
2018			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	1 295	–
Non-sovereign and non-bank cash placements	574	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	12 466	–	–
Sovereign debt securities	–	41 050	17 890
Bank debt securities	–	–	6 136
Other debt securities	–	109	9 052
Derivative financial instruments*	12 563	–	–
Securities arising from trading activities	12 289	–	–
Investment portfolio	–	6 925	3
Loans and advances to customers	–	17 250	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	947	304	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	38 839	**66 933**	**33 081**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	38 839	**66 933**	**33 081**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	15 907	–	–
Other trading liabilities	14 238	–	–
Repurchase agreements and cash collateral on securities lent	917	–	–
Customer accounts (deposits)	–	39 485	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	291	–	–
	31 353	**39 485**	**–**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	31 353	**39 485**	**–**
Subordinated liabilities	–	–	–
	31 353	**39 485**	**–**

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

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Financial assets linked to investment contract liabilities (refer to note 37)	Non-financial instruments or scoped out of IAS 39	Total
–	–	9 187	–	9 187	–	–	9 187
1 295	–	18 325	–	18 325	–	–	19 620
574	–	9 419	–	9 419	–	–	9 993
12 466	–	11 751	–	11 751	–	–	24 217
58 940	3 463	–	–	3 463	–	–	62 403
6 136	1 333	496	–	1 829	–	–	7 965
9 161	84	1 145	–	1 229	–	–	10 390
12 563	–	–	–	–	–	–	12 563
12 289	–	–	–	–	–	–	12 289
6 928	–	–	–	–	–	–	6 928
17 250	–	231 822	–	231 822	–	–	249 072
–	–	7 630	–	7 630	–	–	7 630
–	–	265	–	265	–	–	265
–	–	299	–	299	–	–	299
–	–	189	–	189	–	6 306	6 495
–	–	–	–	–	–	983	983
1 251	–	8 072	–	8 072	–	3 982	13 305
–	–	–	–	–	–	2 973	2 973
–	–	–	–	–	–	19 439	19 439
–	–	–	–	–	–	211	211
–	–	–	–	–	–	412	412
138 853	**4 880**	**298 600**	**–**	**303 480**	**–**	**34 306**	**476 639**
–	–	–	–	–	141 071	–	141 071
138 853	**4 880**	**298 600**	**–**	**303 480**	**141 071**	**34 306**	**617 710**
–	–	–	27 793	27 793	–	–	27 793
15 907	–	–	–	–	–	–	15 907
14 238	–	–	–	–	–	–	14 238
917	–	–	7 478	7 478	–	–	8 395
39 485	–	–	282 338	282 338	–	–	321 823
–	–	–	6 885	6 885	–	–	6 885
–	–	–	2 274	2 274	–	–	2 274
–	–	–	–	–	–	551	551
–	–	–	–	–	–	171	171
291	–	–	6 302	6 302	–	5 717	12 310
70 838	**–**	**–**	**333 070**	**333 070**	**–**	**6 439**	**410 347**
–	–	–	–	–	141 013	–	141 013
–	–	–	–	–	58	–	58
70 838	**–**	**–**	**333 070**	**333 070**	**141 071**	**6 439**	**551 418**
–	–	–	15 013	15 013	–	–	15 013
70 838	**–**	**–**	**348 083**	**348 083**	**141 071**	**6 439**	**566 431**

Notes to the financial statements

(continued)

At 31 March R'million	At fair value through profit or loss Trading	 Designated at inception	Available-for-sale
13. Analysis of financial assets and liabilities by measurement basis *(continued)*			
Group			
2017			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	1 197	–
Non-sovereign and non-bank cash placements	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	18 383	–	–
Sovereign debt securities	–	38 542	5 949
Bank debt securities	–	–	5 498
Other debt securities	–	406	9 604
Derivative financial instruments*	9 842	–	–
Securities arising from trading activities	14 320	–	–
Investment portfolio	–	6 499	3
Loans and advances to customers	–	14 011	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	1 164	223	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
Non-current assets held for sale**	–	456	–
	43 709	**61 334**	**21 054**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	43 709	**61 334**	**21 054**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	12 558	–	–
Other trading liabilities	14 134	–	–
Repurchase agreements and cash collateral on securities lent	1 018	–	–
Customer accounts (deposits)	–	34 316	–
Debt securities in issue	–	3 707	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	735	–	–
	28 445	**38 023**	**–**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	28 445	**38 023**	**–**
Subordinated liabilities	–	–	–
	28 445	**38 023**	**–**

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

** *Non-current assets held for sale relate to an acquisition of a non-controlling interest in an entity. Management entered into negotiations to dispose of this interest in the 2017 year.*

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Financial assets linked to investment contract liabilities (refer to note 37)	Non-financial instruments or scoped out of IAS 39	Total
–	–	8 353	–	8 353	–	–	8 353
1 197	–	33 829	–	33 829	–	–	35 026
–	–	8 993	–	8 993	–	–	8 993
18 383	–	12 184	–	12 184	–	–	30 567
44 491	3 331	–	–	3 331	–	–	47 822
5 498	1 754	506	–	2 260	–	–	7 758
10 010	206	1 812	–	2 018	–	–	12 028
9 842	–	–	–	–	–	–	9 842
14 320	–	–	–	–	–	–	14 320
6 502	–	–	–	–	–	–	6 502
14 011	–	213 541	–	213 541	–	–	227 552
–	–	8 673	–	8 673	–	–	8 673
–	–	310	–	310	–	–	310
–	–	173	–	173	–	–	173
–	–	–	–	–	–	5 514	5 514
–	–	–	–	–	–	738	738
1 387	–	6 804	–	6 804	–	3 849	12 040
–	–	–	–	–	–	762	762
–	–	–	–	–	–	18 688	18 688
–	–	–	–	–	–	211	211
–	–	–	–	–	–	508	508
456	–	–	–	–	–	–	456
126 097	**5 291**	**295 178**	**–**	**300 469**	**–**	**30 270**	**456 836**
–	–	–	–	–	129 596	–	129 596
126 097	**5 291**	**295 178**	**–**	**300 469**	**129 596**	**30 270**	**586 432**
–	–	–	35 433	35 433	–	–	35 433
12 558	–	–	–	–	–	–	12 558
14 134	–	–	–	–	–	–	14 134
1 018	–	–	6 807	6 807	–	–	7 825
34 316	–	–	269 154	269 154	–	–	303 470
3 707	–	–	5 231	5 231	–	–	8 938
–	–	–	1 511	1 511	–	–	1 511
–	–	–	–	–	–	1 413	1 413
–	–	–	–	–	–	238	238
735	–	–	4 648	4 648	–	5 557	10 940
66 468	**–**	**–**	**322 784**	**322 784**	**–**	**7 208**	**396 460**
–	–	–	–	–	129 554	–	129 554
–	–	–	–	–	42	–	42
66 468	**–**	**–**	**322 784**	**322 784**	**129 596**	**7 208**	**526 056**
–	–	–	13 805	13 805	–	–	13 805
66 468	**–**	**–**	**336 589**	**336 589**	**129 596**	**7 208**	**539 861**

Notes to the financial statements

(continued)

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

At 31 March R'million	At fair value through profit or loss Trading	 Designated at inception	Available-for-sale
Company			
2018			
Assets			
Loans and advances to banks	–	–	–
Bank debt securities	–	–	–
Investment portfolio	–	23	344
Other assets	–	–	–
Investment in subsidiaries	9	–	–
	9	**23**	**344**
Liabilities			
Debt securities in issue	–	–	–
Current taxation liabilities	–	–	–
Other liabilities	–	–	–
	–	**–**	**–**
Subordinated liabilities	–	–	–
	–	**–**	**–**
2017			
Assets			
Loans and advances to banks	–	–	–
Investment in subsidiaries	6	–	–
	6	**–**	**–**
Liabilities			
Debt securities in issue	–	–	–
Current taxation liabilities	–	–	–
Other liabilities	–	–	–
	–	**–**	**–**
Subordinated liabilities	–	–	–
	–	**–**	**–**

Total instruments at fair value	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments or scoped out of IAS 39	Total
–	93	–	93	–	93
–	350	–	350	–	350
367	–	–	–	–	367
–	17	–	17	23	40
9	1 611	–	1 611	15 078	16 698
376	**2 071**	**–**	**2 071**	**15 101**	**17 548**
–	–	532	532	–	532
–	–	–	–	43	43
–	–	23	23	531	554
–	**–**	**555**	**555**	**574**	**1 129**
–	–	1 638	1 638	–	1 638
–	**–**	**2 193**	**2 193**	**574**	**2 767**
–	37	–	37	–	37
6	924	–	924	15 010	15 940
6	**961**	**–**	**961**	**15 010**	**15 977**
–	–	582	582	–	582
–	–	–	–	144	144
–	–	20	20	357	377
–	**–**	**602**	**602**	**501**	**1 103**
–	–	625	625	–	625
–	**–**	**1 227**	**1 227**	**501**	**1 728**

14. Financial instruments 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).

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

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

		Fair value category		
At 31 March R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Group				
2018				
Assets				
Loans and advances to banks	1 295	1 295	–	–
Non-sovereign and non-bank cash placements	574	–	574	–
Reverse repurchase agreements and cash collateral on securities borrowed	12 466	3 261	9 205	–
Sovereign debt securities	58 940	58 940	–	–
Bank debt securities	6 136	4 884	1 252	–
Other debt securities	9 161	4 145	4 907	109
Derivative financial instruments	12 563	–	12 541	22
Securities arising from trading activities	12 289	12 205	84	–
Investment portfolio	6 928	2 619	1 583	2 726
Loans and advances to customers	17 250	–	17 250	–
Other assets	1 251	1 251	–	–
	138 853	**88 600**	**47 396**	**2 857**
Liabilities				
Derivative financial instruments	15 907	–	15 907	–
Other trading liabilities	14 238	12 625	1 613	–
Repurchase agreements and cash collateral on securities lent	917	–	917	–
Customer accounts (deposits)	39 485	–	39 485	–
Other liabilities	291	–	291	–
	70 838	**12 625**	**58 213**	**–**
Net financial assets/(liabilities) at fair value	**68 015**	**75 975**	**(10 817)**	**2 857**

14. Financial instruments at fair value *(continued)*

At 31 March R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2017				
Assets				
Loans and advances to banks	1 197	1 197	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	18 383	2 955	15 428	–
Sovereign debt securities	44 491	44 491	–	–
Bank debt securities	5 498	4 108	1 390	–
Other debt securities	10 010	6 437	3 465	108
Derivative financial instruments	9 842	–	9 832	10
Securities arising from trading activities	14 320	14 245	75	–
Investment portfolio	6 502	2 687	575	3 240
Loans and advances to customers	14 011	–	14 011	–
Other assets	1 387	1 387	–	–
Non-current assets held for sale	456	–	–	456
	126 097	**77 507**	**44 776**	**3 814**
Liabilities				
Derivative financial instruments	12 558	–	12 558	–
Other trading liabilities	14 134	12 817	1 317	–
Repurchase agreements and cash collateral on securities lent	1 018	–	1 018	–
Customer accounts (deposits)	34 316	–	34 316	–
Debt securities in issue	3 707	–	3 707	–
Other liabilities	735	–	735	–
	66 468	**12 817**	**53 651**	**–**
Net financial assets/(liabilities) at fair value	**59 629**	**64 690**	**(8 875)**	**3 814**
Company				
2018				
Assets				
Investment portfolio	367	367	–	–
Investment in subsidiaries	9	–	9	–
	376	**367**	**9**	**–**
2017				
Assets				
Investment in subsidiaries	6	–	6	–
	6	**–**	**6**	**–**

14. Financial instruments at fair value *(continued)*

Measurement of financial assets and liabilities at level 2

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

	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	Swap curves and discount rates
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

14. Financial instruments at fair value *(continued)*

Transfers between level 1 and level 2

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

Level 3 instruments

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

For the year to 31 March R'million	Total level 3 financial instruments
Group	
Balance as at 31 March 2016	2 797
Total gains recognised in the income statement	43
Purchases	1 226
Sales	(44)
Transfers into level 3	112
Transfers out of level 3	(297)
Foreign exchange adjustments	(23)
Balance as at 31 March 2017	**3 814**
Total losses recognised in the income statement	(98)
Purchases	732
Sales	(620)
Settlements	(95)
Transfers into level 3	123
Transfers out of level 3	(950)
Foreign exchange adjustments	(49)
Balance as at 31 March 2018	**2 857**

During the year, a level 3 investment of R950.0 million has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition, R123.1 million has been transferred into level 3 due to inputs becoming unobservable in the market.

For the year ended 31 March 2017, a level 3 investment of R297.0 million has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition, R112.3 million has been transferred into level 3 due to inputs becoming unobservable on the market.

14. Financial instruments at fair value *(continued)*

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

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2018			
Total gains/(losses) included in the income statement for the year			
Net interest income	28	28	–
Investment (loss)/income	(153)	399	(552)
Trading income arising from balance sheet management and other trading activities	27	1	26
	(98)	**428**	**(526)**

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2017			
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(11)	8	(19)
Trading income arising from customer flow	54	–	54
	43	**8**	**35**

14. Financial instruments at fair value *(continued)*

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

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

At 31 March 2018	Balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Effect on the income statement: Favourable changes R'million	Effect on the income statement: Unfavourable changes R'million
Assets						
Derivative financial instruments	22	Price-earnings	EBITDA	(10%)/10%	2	(2)
Investment portfolio	2 726				1 033	(1 122)
		Price-earnings	EBITDA	*	834	(730)
		Discounted cash flow	Precious and industrial metals prices	(10%)/6%	40	(68)
		Discounted cash flow	Cash flows	*	38	(41)
		Discounted cash flow	Property prices	(10%)/10%	34	(34)
		Other	Various	**	87	(249)
Other debt securities	109	Price-earnings	EBITDA	(5%)/5%	5	(5)
Total	**2 857**				**1 040**	**(1 129)**

* *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.*

14. Financial instruments at fair value *(continued)*

At 31 March 2017	Balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Effect on the income statement: Favourable changes R'million	Effect on the income statement: Unfavourable changes R'million
Assets						
Other debt securities	108	Price-earnings	Price-earnings multiple	(10%)/10%	16	(2)
Derivative financial instruments	10	Comparable sales	Property value	(10%)/10%	1	(1)
Investment portfolio	3 240				665	(740)
		Price-earnings	EBITDA	*	350	(294)
		Discounted cash flow	Precious and industrial metal prices	(10%)/10%	258	(289)
		Other	Various	**	57	(157)
Non-current assets held for sale	456	Price-earnings	Price-earnings multiple	(10%)/10%	65	(58)
Net level 3 assets	**3 814**				**747**	**(801)**

* *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:

Price-earnings multiple

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

EBITDA

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

Price of property and precious and industrial metals

The price of precious and industrial metals is a key driver of future cash flows on these investments.

15. Fair value of financial instruments at amortised cost

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
2018					
Assets					
Sovereign debt securities	3 463	3 458	3 458	–	–
Bank debt securities	1 829	1 865	1 719	146	–
Other debt securities	1 229	1 232	–	1 232	–
Loans and advances to customers	231 822	231 831	6 507	206 014	19 310
Liabilities					
Deposits by banks	27 793	27 999	3 397	24 602	–
Repurchase agreements and cash collateral on securities lent	7 478	7 475	4 090	3 385	–
Customer accounts (deposits)	282 338	283 264	132 178	151 086	–
Debt securities in issue	6 885	6 891	3 129	3 692	70
Subordinated liabilities	15 013	16 390	16 390	–	–

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
Group					
2017					
Assets					
Sovereign debt securities	3 331	3 248	3 248	–	–
Bank debt securities	2 260	2 301	1 795	506	–
Other debt securities	2 018	2 029	67	1 962	–
Loans and advances to customers	213 541	213 660	5 104	189 488	19 068
Liabilities					
Deposits by banks	35 433	35 790	3 278	32 512	–
Repurchase agreements and cash collateral on securities lent	6 807	6 843	4 250	2 593	–
Customer accounts (deposits)	269 154	269 974	125 368	144 606	–
Debt securities in issue	5 231	5 235	2 894	2 233	108
Subordinated liabilities	13 805	14 562	14 562	–	–

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amount approximates their fair value and therefore no additional disclosures are made. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

At 31 March R'million	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost *(continued)*					
Company					
2018					
Liabilities					
Subordinated liabilities	1 638	1 665	1 665	–	–
2017					
Liabilities					
Subordinated liabilities	625	645	645	–	–

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amount approximates their fair value and therefore no additional disclosures are made. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments not held at fair value categorised as level 2 and level 3.

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

16. Designated at fair value: loans and receivables and financial liabilities

At 31 March R'million	Carrying value	Fair value adjustment: Year to date	Fair value adjustment: Cumulative	Maximum exposure to credit risk
Group				
Loans and receivables designated at fair value through profit or loss				
2018				
Loans and advances to customers	17 250	265	394	16 990
	17 250	**265**	**394**	**16 990**
2017				
Loans and advances to customers	14 011	(96)	211	13 882
	14 011	**(96)**	**211**	**13 882**

Year-to-date and cumulative fair value adjustments to loans and receivables attributable to credit risk were both Rnil (2017: Rnil).

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment: Year to date	Fair value adjustment: Cumulative
Group				
Financial liabilities designated at fair value through profit or loss				
2018				
Customer accounts (deposits)	39 485	39 235	161	250
	39 485	**39 235**	**161**	**250**
2017				
Customer accounts (deposits)	34 316	34 227	252	89
Debt securities in issue	3 707	3 716	(3)	–
	38 023	**37 943**	**249**	**89**

Year-to-date and cumulative changes in fair value of financial liabilities attributable to credit risk were both Rnil (2017: Rnil).

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

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(continued)

At 31 March R'million	Group 2018	Group 2017
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	8 989	8 169
Other	198	184
	9 187	**8 353**

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
18. Loans and advances to banks				
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	10 152	16 034	93	37
United Kingdom	2 486	4 735	–	–
Europe (excluding UK)	1 743	3 915	–	–
Australia	208	190	–	–
United States of America	3 474	6 297	–	–
Asia	609	983	–	–
Other	948	2 872	–	–
	19 620	**35 026**	**93**	**37**

At 31 March R'million	Group 2018	Group 2017
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	15 079	21 509
Cash collateral on securities borrowed	9 138	9 058
	24 217	**30 567**

As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. R1.5 billion (2017: R9.3 billion) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.

	Group 2018	Group 2017
Liabilities		
Repurchase agreements	8 395	7 825
	8 395	**7 825**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at R8.5 billion (2017: R5.9 billion). They are pledged as security for the term of the underlying repurchase agreement. Refer to note 51.

At 31 March R'million	Group 2018	Group 2017
20. Sovereign debt securities		
Bonds	17 153	17 403
Government securities	1 144	538
Treasury bills	44 106	29 881
	62 403	**47 822**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	62 403	47 382
Other	–	440
	62 403	**47 822**

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
21. Bank debt securities				
Bonds	5 028	5 180	350	–
Floating rate notes	2 441	2 072	–	–
Asset-based securities	496	506	–	–
	7 965	**7 758**	**350**	**–**
The country risk of the bank debt securities lies in the following geographies:				
South Africa	4 770	4 344	350	–
United Kingdom	2 066	2 202	–	–
United States of America	1 023	1 056	–	–
Other	106	156	–	–
	7 965	**7 758**	**350**	**–**

At 31 March R'million	Group 2018	Group 2017
22. Other debt securities		
Bonds	6 336	7 276
Floating rate notes	2 800	2 533
Liquid asset bills	–	298
Asset-based securities	1 218	1 831
Other investments	36	90
	10 390	**12 028**
The country risk of the other debt securities lies in the following geographies:		
South Africa	5 309	6 777
United Kingdom	163	1 209
Europe (excluding UK)	3 791	2 722
Australia	145	198
United States of America	169	215
Other	813	907
	10 390	**12 028**

23. Derivative financial instruments

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

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	Group					
	2018			2017		
At 31 March R'million	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**
Foreign exchange derivatives						
Forward foreign exchange contracts	126 140	3 348	2 240	124 866	2 289	1 782
Currency swaps	35 187	2 046	3 002	12 948	2 134	4 474
OTC options bought and sold	36 304	899	1 036	219 118	454	416
Other foreign exchange contracts	2	^	^	1	3	3
OTC derivatives	**197 633**	**6 293**	**6 278**	**356 933**	**4 880**	**6 675**
Interest rate derivatives						
Caps and floors	2 114	8	5	2 612	4	9
Swaps	282 451	2 337	3 228	206 832	1 288	2 318
Forward rate agreements	1 600	52	14	1 300	16	20
OTC options bought and sold	1 000	31	31	^	24	23
Other interest rate contracts	6 604	^	396	6 265	451	34
OTC derivatives	**293 769**	**2 428**	**3 674**	**217 009**	**1 783**	**2 404**
Equity and stock index derivatives						
OTC options bought and sold	41 004	4 703	3 097	311 919	3 199	1 961
Equity swaps and forwards	59 104	1 044	1 437	33 615	347	961
OTC derivatives	100 108	5 747	4 534	345 534	3 546	2 922
Exchange traded futures	1 828	(23)	–	138	1	–
Exchange traded options	5 131	(1)	–	27 021	8	–
Warrants	2 188	–	5 904	2 890	–	5 124
	109 255	**5 723**	**10 438**	**375 583**	**3 555**	**8 046**
Commodity derivatives						
OTC options bought and sold	10	9	9	1	1	1
Commodity swaps and forwards	816	62	30	111	22	24
OTC derivatives	**826**	**71**	**39**	**112**	**23**	**25**
Credit derivatives	**9 106**	**10**	**56**	**8 012**	**23**	**63**
Embedded derivatives*		**213**			**221**	
Cash collateral		**(2 175)**	**(4 578)**		**(643)**	**(4 655)**
Derivatives per balance sheet		**12 563**	**15 907**		**9 842**	**12 558**

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

At 31 March R'million	Group 2018	Group 2017
24. Securities arising from trading activities		
Bonds	599	448
Floating rate notes	–	6
Listed equities	11 606	13 791
Unlisted equities	84	75
	12 289	**14 320**

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
25. Investment portfolio				
Listed equities	2 988	2 892	367	–
Unlisted equities*	3 940	3 610	–	–
	6 928	**6 502**	**367**	**–**

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

At 31 March R'million	Group 2018	Group 2017
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	250 500	228 756
Impairments of loans and advances to customers	(1 428)	(1 204)
Net loans and advances to customers	**249 072**	**227 552**
Gross other loans and advances	288	334
Impairments of other loans and advances	(23)	(24)
Net other loans and advances to customers	**265**	**310**

For further analysis on loans and advances refer to pages 49 to 57 in the risk management section.

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(continued)

At 31 March R'million	Group 2018	2017
26. Loans and advances to customers and other loans and advances *(continued)*		
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at the beginning of the year	883	680
Charge to the income statement	679	718
Released in the income statement	(302)	(164)
Utilised	(456)	(358)
Transfers	(5)	7
Exchange adjustment	(6)	–
Balance at the end of the year	**793**	**883**
Portfolio impairment		
Balance at the beginning of the year	321	230
Charge to the income statement	324	102
Transfers	5	(4)
Exchange adjustment	(15)	(7)
Balance at the end of the year	**635**	**321**
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	6	10
Charge/(release) to the income statement	1	(2)
Utilised	(2)	(2)
Transfers	(1)	–
Balance at the end of the year	**4**	**6**
Portfolio impairment		
Balance at the beginning of the year	18	21
Transfers	1	(3)
Balance at the end of the year	**19**	**18**
Total specific impairments	797	889
Total portfolio impairments	654	339
Total impairments	**1 451**	**1 228**
Reconciliation of income statement charge:		
Loans and advances to customers	**701**	**656**
Specific impairment charge to income statement	377	554
Portfolio impairment charge to income statement	324	102
Securitised assets (refer to note 27)	**–**	**5**
Specific impairment charge to income statement	1	5
Portfolio impairment release to income statement	(1)	–
Other loans and advances	**1**	**(2)**
Specific impairment release to income statement	1	(2)
Other assets	**27**	**–**
Specific impairment charge to income statement	27	–
Total income statement charge	**729**	**659**

At 31 March R'million	Group 2018	Group 2017
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	7 636	8 679
Impairments of own originated loans and advances to customers securitised	(6)	(6)
Net own originated loans and advances to customers securitised	**7 630**	**8 673**
Other securitised assets are made up of the following category of asset:		
– Cash and cash equivalents	299	173
Total other securitised assets	**299**	**173**
The associated liabilities are recorded on balance sheet in the following line item:		
Liabilities arising on securitisation of own originated loans and advances	**2 274**	**1 511**
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments of own originated loans and advances to customers securitised		
Specific impairment		
Balance at the beginning of the year	1	1
Charge to the income statement	1	5
Utilised	–	(5)
Balance at the end of the year	**2**	**1**
Portfolio impairment		
Balance at the beginning of the year	5	5
Charge to the income statement	(1)	–
Balance at the end of the year	**4**	**5**
Total portfolio and specific impairments on balance sheet	**6**	**6**

At 31 March R'million	Group 2018	 2017
28. Interests in associated undertakings		
Analysis of the movement in interests in associated undertakings:		
Balance at the beginning of the year	5 514	5 145
Exchange adjustments	(3)	(6)
Transfer from investment portfolio	–	69
Acquisitions	18	–
Advance of loan	189	–
Share of post taxation profit of associates	777	306
Balance at the end of the year	**6 495**	**5 514**

R'million	2018	2017
Details of material associated companies		
IEP Group Proprietary Limited		
Summarised financial information (R'million): **For the year to 31 March**		
Revenue	11 698	5 711
Profit after taxation	1 927	675
Total comprehensive income	1 903	675
At 31 March **Assets**		
Non-current assets	20 862	19 912
Current assets	6 184	5 288
Liabilities		
Non-current liabilities	9 603	7 695
Current liabilities	3 073	5 084
Net asset value	**14 370**	**12 421**
Non-controlling interest	2 342	1 905
Shareholders' equity	12 028	10 516
Effective interest in issued share capital	45.7%	45.0%
Net asset value	5 499	4 732
Goodwill	681	681
Carrying value of interest – equity method	**6 180**	**5 413**

At 31 March R'million	Group 2018	Group 2017
29. Deferred taxation		
Deferred taxation assets	983	738
Deferred taxation liabilities	(171)	(238)
Net deferred taxation assets	**812**	**500**
The net deferred taxation assets arise from:		
Income and expenditure accruals	816	541
Unrealised fair value adjustments on financial instruments	76	156
Losses carried forward	219	142
Acquired intangibles	(76)	(90)
Revaluation of property	(292)	(410)
Finance lease accounting	69	64
Other temporary differences	–	97
Net deferred taxation assets	**812**	**500**
Reconciliation of net deferred taxation assets		
At beginning of year	500	115
Recovery to income statement	360	431
Charge directly in other comprehensive income	(50)	(46)
Other	2	–
At year end	**812**	**500**

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
30. Other assets				
Settlement debtors	2 528	2 737	–	–
Trading properties	2 928	2 530	–	–
Prepayments and accruals	524	535	–	–
Trading initial margin	659	776	–	–
Investec Import Solutions debtors	2 819	1 862	–	–
Fee debtors	55	36	–	–
Corporate tax assets	88	148	–	–
Other	3 704	3 416	40	–
	13 305	**12 040**	**40**	**–**

31. Property and equipment

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
Group					
2018					
Cost					
At the beginning of the year	504	44	198	918	1 664
Additions	2 200	19	40	108	2 367
Disposals	–	–	(16)	(62)	(78)
Reclassifications	–	–	5	50	55
At the end of the year	**2 704**	**63**	**227**	**1 014**	**4 008**
Accumulated depreciation					
At the beginning of the year	(57)	(29)	(135)	(681)	(902)
Disposals	–	–	12	56	68
Depreciation	(10)	(6)	(16)	(114)	(146)
Reclassifications	–	–	(5)	(50)	(55)
At the end of the year	**(67)**	**(35)**	**(144)**	**(789)**	**(1 035)**
Net carrying value	**2 637**	**28**	**83**	**225**	**2 973**
2017					
Cost					
At the beginning of the year	504	36	197	835	1 572
Additions	–	8	13	167	188
Disposals	–	–	(12)	(84)	(96)
At the end of the year	**504**	**44**	**198**	**918**	**1 664**
Accumulated depreciation					
At the beginning of the year	(47)	(25)	(133)	(638)	(843)
Disposals	–	–	10	58	68
Depreciation	(10)	(4)	(12)	(101)	(127)
At the end of the year	**(57)**	**(29)**	**(135)**	**(681)**	**(902)**
Net carrying value	**447**	**15**	**63**	**237**	**762**

At 31 March R'million	Group 2018	Group 2017
32. Investment properties		
At the beginning of the year	18 688	18 167
Additions	896	614
Disposals	(590)	(447)
Fair value movement	445	354
At the end of the year	**19 439**	**18 688**

For total gains and losses on investment properties recognised in the income statement, refer to note 4.

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

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and, to this, an appropriate market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

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

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

Significant unobservable inputs	Definition
Expected Rental Value (ERV)	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

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

Significant unobservable inputs	Definition
Expected Rental Value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value.
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value.
Long-term vacancy rate	Increases/(decreases) in the long-term vacancy rate would result in decreases/(increases) in the estimated fair value.

Further analysis of investment properties is in the risk management section on pages 58 to 60.

At 31 March R'million	Group 2018	 2017
33. Goodwill		
Cost		
At the beginning and end of the year	**1 454**	**1 454**
Accumulated impairments		
At the beginning and end of the year	(1 243)	(1 216)
Impairment of goodwill	–	(26)
Other	–	(1)
At the end of the year	**(1 243)**	**(1 243)**
Net carrying value	**211**	**211**
Analysis of goodwill by line of business:		
Wealth & Investment	37	37
Specialist Banking	174	174
	211	**211**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

Goodwill relates particularly to the businesses from Investec Import Solutions (IIS) (previously Blue Strata) acquisition which has been identified as a separate cash-generating unit. The goodwill relating to IIS has been tested for impairment, taking into account profitability, being the budgeted profits and the future profit growth for the next five years. The valuation is based on management's assessment of appropriate profit forecast and discount rate to estimate the fair value. The discount rate applied of 6.90% is determined using the South African Inter-bank lending rate, adjusted for business specific risk.

The valuation would be level 3 in the fair value hierarchy.

At 31 March R'million	Acquired software	Internally generated software	Client relationships	Total
34. Intangible assets				
Group				
2018				
Cost				
At the beginning of the year	697	117	412	1 226
Additions	49	–	–	49
Disposals	(13)	(99)	–	(112)
At the end of the year	**733**	**18**	**412**	**1 163**
Accumulated amortisation and impairments				
At the beginning of the year	(532)	(96)	(90)	(718)
Disposals	1	98	–	99
Amortisation	(75)	(6)	(51)	(132)
At the end of the year	**(606)**	**(4)**	**(141)**	**(751)**
Net carrying value	**127**	**14**	**271**	**412**
2017				
Cost				
At the beginning of the year	601	110	412	1 123
Additions	106	8	–	114
Disposals	(10)	(1)	–	(11)
At the end of the year	**697**	**117**	**412**	**1 226**
Accumulated amortisation and impairments				
At the beginning of the year	(468)	(92)	(39)	(599)
Disposals	7	1	–	8
Amortisation	(71)	(5)	(51)	(127)
At the end of the year	**(532)**	**(96)**	**(90)**	**(718)**
Net carrying value	**165**	**21**	**322**	**508**

35. Acquisitions

2018

A deferred consideration of R100 million which was based on profitability criteria, was paid in the current year relating to the acquisition of the Investec Import Solutions group, previously Blue Strata group. This was recognised as an expense in the income statement.

There were no significant acquisitions or disposals of subsidiaries during the current and prior year.

At 31 March	Nature of business	Holding %	Shares at book value R'million 2018	Shares at book value R'million 2017	Net indebtedness R'million 2018	Net indebtedness R'million 2017
36. Investment in subsidiaries						
Direct material subsidiaries of Investec Limited						
Investec Bank Limited#	Banking	100.0%	13 600	13 600	1 535	864
Investec Asset Management Holdings Proprietary Limited #	Investment holding	83.0%	66	67	–	–
Investec Employee Benefits Holdings Proprietary Limited #	Investment holding	100.0%	746	850	–	63
Investec International Holdings (Gibraltar) Limited§	Investment holding	100.0%	243	148	–	–
Investec Securities Proprietary Limited #	Stockbroking	100.0%	157	157	(41)	(41)
Fedsure International Limited #	Investment holding	100.0%	316	200	(1)	(1)
Investec Property Group Holdings Proprietary Limited#	Investment holding	100.0%	*	*	–	–
Investec Specialised Investments (RF) Limited#	Investment holding	100.0%	*	*	–	–
Other subsidiaries			(50)	(12)	127	45
			15 078	**15 010**	**1 620**	**930**

* *Less than R1 million.*
\# *South Africa.*
§ *Gibraltar.*

Loans to/(from) subsidiaries are unsecured, interest-bearing, with no fixed terms of repayment.

Indirect material subsidiaries of Investec Limited	Nature of business	Effective holding %
Investec Assurance Limited#	Insurance company	83.0%
Investec Asset Management Proprietary Limited#	Asset management	83.0%
Investec Fund Managers SA (RF) Limited#	Unit trust management	83.0%
Investec Bank (Mauritius) Limited**	Banking	100.0%
Investec Property Proprietary Limited#	Property trading	100.0%
Reichmans Holdings Proprietary Limited#	Trade and asset finance	100.0%
Investec Life Limited#	Long-term insurance	100.0%
Investec Property Fund Limited#	Engage in long-term immovable property investment	26.8%
Investec Import Solutions Proprietary Limited	Import logistics and trade finance	100.0%

\# *South Africa.*
** *Mauritius.*

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

The group considers that it has control over Investec Property Fund Limited as a result of the common directors with the holding company and the impact this has on the beneficial returns. Any change in the holding in Investment Property Fund Limited would require a reassessment of the facts and circumstances.

36. Investment in subsidiaries *(continued)*

The following subsidiaries are not consolidated for regulatory purposes:

- Investec Assurance Limited
- Investec Employee Benefit Holdings Proprietary Limited and its subsidiaries.

There are no subsidiaries which are consolidated for regulatory, but not for accounting purposes.

Consolidated structured entities

Investec Limited has residual economic interests in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Fox Street 1 (RF) Limited	Securitised residential mortgages
Fox Street 2 (RF) Limited	Securitised residential mortgages
Fox Street 3 (RF) Limited	Securitised residential mortgages
Fox Street 4 (RF) Limited	Securitised residential mortgages
Fox Street 5 (RF) Limited	Securitised residential mortgages
Integer Home Loans Proprietary Limited	Securitised third-party originated residential mortgages

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

Further details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 61 to 62.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of subordinated notes. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Securitised third-party originated residential mortgages

The group has a senior and subordinated investment in a third-party originated structured entity. This structured entity is consolidated due to the group's exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investments made.

Interest in Asset Management and Wealth & Investment Funds

Management has concluded that the investment funds in the Asset Management and Wealth & Investment businesses do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other support. Support transactions with these funds are conventional customer-supply relationships.

At 31 March R'million	Group 2018	 2017
37. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Life Limited	628	551
Investec Assurance Limited	140 385	129 003
	141 013	129 554
Insurance liabilities, including unit-linked liabilities – Investec Life Limited	58	42
	141 071	**129 596**
Investec Life Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	686	593
	686	**593**
Investments shown above comprise:		
Interest-bearing securities	201	144
Stocks, shares and unit trusts	393	183
Deposits	92	266
	686	**593**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	139 181	127 957
Debtors and prepayments	476	465
Other assets	728	581
	140 385	**129 003**
The linked assets are classed as level 1 financial instruments with the linked liabilities also classed as level 1.		
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	37 717	33 423
Stocks, shares and unit trusts	90 001	85 653
Deposits	11 463	8 881
	139 181	**127 957**

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of the linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

At 31 March R'million	Group 2018	Group 2017
38. Other trading liabilities		
Deposits	1 613	1 317
Short positions		
– Equities	12 258	12 535
– Gilts	367	282
	14 238	**14 134**

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
39. Debt securities in issue				
Bonds and medium-term notes repayable:				
Less than three months	360	589	–	–
Three months to one year	2 865	4 459	–	–
One to five years	3 240	3 782	532	582
Greater than five years	420	108	–	–
	6 885	**8 938**	**532**	**582**

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
40. Other liabilities				
Settlement liabilities	2 986	3 610	11	7
Other non-interest-bearing liabilities	4 267	2 264	119	9
Other creditors and accruals	5 057	5 066	424	361
	12 310	**10 940**	**554**	**377**

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
41. Subordinated liabilities				
Issued by Investec Bank Limited				
IV08 fixed rate subordinated unsecured callable upper tier 2 bonds	200	200	–	–
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	200	200	–	–
IV015 variable rate subordinated unsecured callable bonds	–	601	–	–
IV019 indexed rate subordinated unsecured callable bonds	129	103	–	–
IV019A indexed rate subordinated unsecured callable bonds	368	364	–	–
IV022 variable rate subordinated unsecured callable bonds	–	638	–	–
IV023 variable rate subordinated unsecured callable bonds	–	860	–	–
IV024 variable rate subordinated unsecured callable bonds	–	106	–	–
IV025 variable rate subordinated unsecured callable bonds	1 000	1 000	–	–
IV026 variable rate subordinated unsecured callable bonds	750	750	–	–
IV030 indexed rate subordinated unsecured callable bonds	444	398	–	–
IV030A indexed rate subordinated unsecured callable bonds	420	420	–	–
IV031 variable rate subordinated unsecured callable bonds	500	500	–	–
IV032 variable rate subordinated unsecured callable bonds	810	810	–	–
IV033 variable rate subordinated unsecured callable bonds	159	159	–	–
IV034 fixed rate subordinated unsecured callable bonds	101	101	–	–
IV035 variable rate subordinated unsecured callable bonds	1 468	1 468	–	–
IV036 variable rate subordinated unsecured callable bonds	32	32	–	–
IV037 variable rate subordinated unsecured callable bonds	1 182	1 255	–	–
IV038 variable rate subordinated unsecured callable bonds	350	350	–	–
IV039 indexed rate subordinated unsecured callable bonds	166	154	–	–
IV040 variable rate subordinated unsecured callable bonds	589	589	–	–
IV041 fixed rate subordinated unsecured callable bonds	190	190	–	–
IV042 variable rate subordinated unsecured callable bonds	50	50	–	–
IV043 fixed rate subordinated unsecured callable bonds	150	150	–	–
IV044 variable rate subordinated unsecured callable bonds	240	240	–	–
IV045 indexed rate subordinated unsecured callable bonds	1 604	1 492	–	–
IV046 variable rate subordinated unsecured callable bonds	1 200	–	–	–
IV047 indexed rate subordinated unsecured callable bonds	1 073	–	–	–
Issued by Investec Limited				
INLV02 variable rate subordinated unsecured callable bonds	276	276	276	276
INLV03 variable rate subordinated unsecured callable bonds	94	94	94	94
INLV04 variable rate subordinated unsecured callable bonds	255	255	255	255
INB001 variable rate subordinated unsecured callable bonds	1 013	–	1 013	–
	15 013	**13 805**	**1 638**	**625**
Remaining maturity:				
In one year or less, or on demand	1 210	2 205	–	–
In more than one year, but not more than two years	3 114	400	–	–
In more than two years, but not more than five years	10 192	7 012	1 638	–
In more than five years	497	4 188	–	625
	15 013	**13 805**	**1 638**	**625**
Reconciliation from opening balance to closing balance:				
Opening balance	13 805	11 357	625	625
Subordinated debt raised	3 287	4 870	1 013	–
Repayment of subordinated debt	(2 205)	(2 519)	–	–
Consumer price index adjustment	126	97	–	–
Closing balance	**15 013**	**13 805**	**1 638**	**625**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

41. Subordinated liabilities *(continued)*

IV08 fixed rate subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV08 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called. The bonds were called on 30 April 2018.

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV09 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to three-month JIBAR plus 3.75% until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called. The bonds were called on 30 April 2018.

IV015 variable rate subordinated unsecured callable bonds

Rnil (2017: R601 million) Investec Bank Limited IV015 locally registered subordinated unsecured callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to three-month JIBAR plus 2.65% basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to three-month JIBAR plus 4.00%. The maturity date is 20 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017. The bonds were called on 20 September 2017.

IV019 indexed rate subordinated unsecured callable bonds

R129 million (2017: R103 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R368 million (2017: R364 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV022 variable rate subordinated unsecured callable bonds

Rnil (2017: R638 million) Investec Bank Limited IV022 locally registered subordinated unsecured callable bonds are due in April 2022. Interest is payable quarterly on 2 January, 2 April, 2 July and 2 October at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 2 April 2022. The maturity date is 2 April 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 2 April 2017. The bonds were called on 2 April 2017.

41. Subordinated liabilities *(continued)*

IV023 variable rate subordinated unsecured callable bonds

Rnil (2017: R860 million) Investec Bank Limited IV023 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 11 January, 11 April, 11 July and 11 October at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 11 July 2022. The maturity date is 11 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 July 2017. The bonds were called on 11 July 2017.

IV024 variable rate subordinated unsecured callable bonds

Rnil (2017: R106 million) Investec Bank Limited IV024 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 27 January, 27 April, 27 July and 27 October at a rate equal to the three-month JIBAR plus 2.70% up to and excluding 27 July 2022. The maturity date is 27 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 27 July 2017. The bonds were called on 27 July 2017.

IV025 variable rate subordinated unsecured callable bonds

R1 000 million Investec Bank Limited IV025 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification or from 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

R750 million Investec Bank Limited IV026 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the three-month JIBAR plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

R444 million (2017: R398 million) Investec Bank Limited IV030 locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

R420 million (2017: R420 million) Investec Bank Limited IV030A locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030A is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV031 variable rate subordinated unsecured callable bonds

R500 million Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the three-month JIBAR plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 11 March 2020.

IV032 variable rate subordinated unsecured callable bonds

R810 million Investec Bank Limited IV032 locally registered subordinated unsecured callable bonds are due in August 2023. Interest is payable quarterly on 14 November, 14 February, 14 May, 14 August at a rate equal to the three-month JIBAR plus 2.95%. The maturity date is 14 August 2023, but the company has the option to call the bonds upon regulatory capital disqualification from 14 August 2018.

IV033 variable rate subordinated unsecured callable bonds

R159 million Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month Jibar plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

41. Subordinated liabilities *(continued)*

IV034 fixed rate subordinated unsecured callable bonds

R101 million Investec Bank Limited IV034 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable semi-annually on 11 February and 11 August at a rate equal to 12.47% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

IV035 variable rate subordinated unsecured callable bonds

R1 468 million Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

IV036 variable rate subordinated unsecured callable bonds

R32 million Investec Bank Limited IV036 locally registered subordinated unsecured callable bonds are due in April 2026. Interest is payable quarterly on 22 April, 22 July, 22 October and 22 January at a rate equal to the three-month Jibar plus 4.25% up to and excluding 22 July 2026. The maturity date is 22 July 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 22 July 2021.

IV037 variable rate subordinated unsecured callable bonds

$125 million Investec Bank Limited IV037 locally registered subordinated unsecured Tier II callable bonds are due in October 2026 and were issued at an issue price of $91 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 19 October 2021. The implied zero coupon yield is 6.29961713% nacq (ACT/360) up until 19 October 2021. If the Issuer does not exercise the option to redeem the notes on 19 October 2021, then interest on the floating rate notes shall commence on 19 October 2021 and is payable quarterly on 19 January, 19 July, 19 April and 19 October at a rate equal to the three-month USD Libor plus 5.5% up to and excluding 19 October 2026. The maturity date is 19 October 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 19 October 2021.

IV038 variable rate subordinated unsecured callable bonds

R350 million Investec Bank Limited IV038 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 23 March, 23 June, 23 September and 23 December at a rate equal to the three-month Jibar plus 4.25% up to and excluding 23 September 2026. The maturity date is 23 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 23 September 2021.

IV039 indexed rate subordinated unsecured callable bonds

R166 million (2017: R154 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest on these inflation-linked bonds is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV039 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV040 variable rate subordinated unsecured callable bonds

R589 million Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month Jibar plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV041 fixed rate subordinated unsecured callable bonds

R190 million Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate of 11.97% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV042 variable rate subordinated unsecured callable bonds

R50 million Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 18 February, 18 May, 18 August and 18 November at a rate equal to the three-month Jibar plus 4.25% up to and excluding 18 November 2026. The maturity date is 18 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

41. Subordinated liabilities *(continued)*

IV043 fixed rate subordinated unsecured callable bonds

R150 million Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate of 12.50% up to and excluding 21 November 2026. The maturity date is 21 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 21 November 2021.

IV044 variable rate subordinated unsecured callable bonds

R240 million Investec Bank Limited IV044 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month Jibar plus 4.15% up to and excluding 31 January 2027. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV045 indexed rate subordinated unsecured callable bonds

R1 604 million (2017: R1 492 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest on these inflation-linked bonds is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV046 variable rate subordinated unsecured callable bonds

R1 200 million (2017: Rnil) Investec Bank Limited IV046 locally registered subordinated unsecured callable bonds are due in June 2027. Interest is payable quarterly on 21 September, 21 December, 21 March and 21 June at a rate equal to the three-month Jibar plus 3.90%. The maturity date is 21 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 21 June 2022.

IV047 variable rate subordinated unsecured callable bonds

$116 million (2017: Rnil) Investec Bank Limited IV047 locally registered subordinated unsecured Tier II callable bonds are due in June 2027 and were issued at an issue price of $86 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 30 June 2022. The implied zero coupon yield is 5.915966% nacq (ACT/360) up until; the 30 June 2022. If the issuer does not exercise the option to redeem the notes on 30 June 2022, then interest on the floating rate notes shall commence on 30 June 2022 and is payable quarterly on 30 September, 30 December, 30 June at a rate equal to the three-month USD Libor plus 4.5% up to and excluding 30 June 2027. The maturity date is 30 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 30 June 2022.

INLV02 variable rate subordinated unsecured callable bonds

R276 million Investec Limited INVL02 locally registered subordinated unsecured callable bonds are due in October 2025. Interest is payable quarterly on 20 January, 20 April, 20 July and 20 October at a rate equal to the three-month Jibar plus 3.7% up to and excluding 20 October 2025. The maturity date is 20 October 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 October 2020.

INVL03 variable rate subordinated unsecured callable bonds

R94 million Investec Limited INVL03 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month Jibar plus 4.35% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INVL04 fixed rate subordinated unsecured callable bonds

R255 million Investec Limited INVL04 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to 12.77% up to and excluding 7 April 2027. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INB001 variable rate subordinated unsecured callable bonds

$113 million (2017: Rnil) Investec Limited INB001 locally registered subordinated unsecured Tier II callable bonds are due in December 2027 and were issued at an issue price of $84 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 28 December 2022. The implied zero coupon yield is 5.86482% nacq (ACT/360) up until 28 December 2022. If the issuer does not exercise the option to redeem the notes on 28 December 2022, then interest on the floating rate notes shall commence on 28 December 2022 and is payable quarterly on 28 March, 28 June, 28 September, 28 December at a rate equal to the three-month USD Libor plus 4% up to and excluding 28 December 2027. The maturity date is 28 December 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 28 December 2022.

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
42. Ordinary share capital				
Authorised				
450 000 000 (2017: 450 000 000) ordinary shares of R0.0002 each				
Issued				
310 722 744 (2017: 301 165 174) ordinary shares of R0.0002 each, fully paid	1	1	1	1

In terms of the dual listed companies structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Details of the share capital are set out in Investec's 2018 integrated annual report.

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
43. Perpetual preference shares of holding company				
Authorised				
100 000 000 (2017: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
32 214 499 (2017: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums	3 183	3 183	3 183	3 183
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	3 183	3 183	3 183	3183

* *Less than R1 million.*

Preference shareholders will be entitled to receive dividends, if declared, at a rate limited to 77.7% of prime on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.

An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

44. Share premium

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
Share premium on ordinary shares	9 637	8 712	9 687	8 762
Share premium on perpetual preference shares (refer to note 43)	3 183	3 183	3 183	3 183
	12 820	**11 895**	**12 870**	**11 945**

45. Treasury shares

At 31 March	2018	2017
	R'million	R'million
Treasury shares held by subsidiaries of Investec Limited		
Premium paid on options held to acquire Investec Limited shares	(279)	(279)
Investec Limited ordinary shares	1 831	1 468
	1 552	**1 189**
Number of Investec Limited ordinary shares held by subsidiaries	27 013 057	31 354 669
	Number	Number
Reconciliation of treasury shares		
At the beginning of the year	31 354 669	24 158 289
Purchase of own shares by subsidiary companies	11 116 399	15 050 643
Shares disposed of by subsidiaries	(15 458 011)	(7 854 263)
At the end of the year	**27 013 057**	**31 354 669**
	R'million	R'million
Market value of treasury shares	2 493	2 914

46. Other Additional Tier 1 securities in issue

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
INLV01 variable rate subordinated unsecured callable bonds	550	550	550	550
IV048 variable rate subordinated unsecured callable bonds	350	–	350	–
	900	**550**	**900**	**550**

INLV01 variable rate subordinated unsecured callable bonds

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

IV048 variable rate subordinated unsecured callable bonds

Investec Limited issued R350 million Other Additional Tier 1 floating rate notes on 22 March 2018. Interest is payable quarterly on 22 March, 22 June, 22 September and 22 December at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer.

At 31 March R'million	Group 2018	Group 2017
47. Non-controlling interests		
Perpetual preference shares issued by Investec Bank Limited	1 534	1 534
Non-controlling interests in partially held subsidiaries	9 503	8 987
	11 037	**10 521**

Perpetual preference shares issued by Investec Bank Limited

Authorised

70 000 000 (2017: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.

Issued

15 447 630 (2017: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums.

Preference shareholders will be entitled to receive dividends if declared, at a rate of 83.33% of prime on R100 being the deemed value of the issue price of the preference share of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

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

	Investec Asset Management Holdings Proprietary Limited group		Investec Property Fund Limited (IPF) group	
	2018	2017	2018	2017
Non-controlling interests (NCI) (%)	17.0%	16.0%	73.2%	72.1%
Summarised financial information (R'million)				
Total assets	143 767	132 057	19 953	19 084
Total liabilities	142 131	130 801	7 309	6 918
Revenue	3 223	3 315	1 269	1 477
Profit before taxation	1 275	1 351	1 258	1 465
Carrying amount of NCI	287	248	9 216	8 739
Profit allocated to NCI	156	156	903	1 039

During the year the group sold an additional 1% of its Asset Management business to senior management of the business, on the exercise of the option granted in July 2013 as part of the sale of the original 15% stake.

The reduction in the shareholding of IPF is as a result of rights issues made to fund investment properly acquisitions which increased the net asset value of the business.

	Group 2018 Total future minimum payments	Group 2018 Present value	Group 2017 Total future minimum payments	Group 2017 Present value
48. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	1 274	1 051	974	803
One to five years	1 190	1 040	925	795
Later than five years	–	–	76	65
	2 464	**2 091**	**1 975**	**1 663**
Unearned finance income	**373**		**312**	

At 31 March 2018 there were no unguaranteed residual values (31 March 2017: Rnil).

49. Notes to the cash flow statement

At 31 March R'million	Group 2018	Group 2017	Company 2018	Company 2017
Profit before taxation adjusted for non-cash items:				
Profit before taxation	**7 718**	**7 685**	**2 533**	**2 072**
Adjustment for non-cash items:				
Impairment of goodwill	–	26	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	227	203	–	–
Amortisation of acquired intangibles	51	51	–	–
Impairment losses on loans and advances	729	659	–	–
Share of post taxation profit of associates	(777)	(306)	–	–
Gain on partial disposal of subsidiary	–	–	(119)	(86)
Write down of non-current assets held for sale	–	41	–	–
Share-based payment charges	734	622	–	(31)
Revaluation of investment properties	(445)	(354)	–	–
Additional costs on acquisition of subsidiary	100	–	–	–
	8 337	**8 627**	**2 414**	**1 955**
Increase in operating assets				
Loans and advances to banks	8 782	(1 261)	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 293	12 750	–	–
Sovereign debt securities	(14 508)	(6 484)	–	–
Bank debt securities	(505)	7 925	(350)	–
Other debt securities	1 706	(385)	–	–
Derivative financial instruments	(2 653)	6 861	–	–
Securities arising from trading activities	2 031	(1 754)	–	–
Investment portfolio	(318)	(1 743)	(326)	–
Loans and advances to customers	(23 665)	(20 610)	–	–
Own originated loans and advances to customers securitised	1 043	565	–	–
Other loans and advances	45	57	–	–
Other securitised assets	(126)	28	–	–
Other assets	(894)	(2 515)	(40)	–
Investment properties	(324)	(167)	–	–
Assurance assets	(11 475)	(6 056)	–	–
Non-current assets held for sale	456	(497)	–	–
	(34 112)	**(13 286)**	**(716)**	**–**
Increase/(decrease) in operating liabilities				
Deposits by banks	(7 640)	(4 630)	–	–
Derivative financial instruments	3 349	(866)	–	–
Other trading liabilities	104	(1 307)	–	–
Repurchase agreements and cash collateral on securities lent	729	(8 955)	–	–
Customer accounts (deposits)	19 878	25 097	–	–
Debt securities in issue	(2 053)	(3 841)	(50)	(334)
Liabilities arising in securitisation of own originated loans and advances	763	(299)	–	–
Other liabilities	(796)	761	177	44
Assurance liabilities	11 475	6 056	–	–
	25 809	**12 016**	**127**	**(290)**

At 31 March R'million	Group 2018	Group 2017
50. Related-party transactions		
Compensation to the board of directors and other key management personnel		
Short-term employee benefits	616	570
Share-based payments	116	142
For information on overall compensation to key management personnel, refer to the remuneration report in volume one of Investec's 2018 integrated annual report.		
Transactions, arrangements and agreements involving directors and others		
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	448	720
Increase in loans	264	117
Repayment of loans	(83)	(188)
Exchange adjustments	(9)	(201)
At the end of the year	**620**	**448**
Guarantees		
At the beginning of the year	102	239
Guarantees cancelled	5	(118)
Additional guarantees granted	(103)	1
Exchange adjustments	3	(20)
At the end of the year	**7**	**102**
Deposits		
At the beginning of the year	(608)	(543)
Increase in deposits	(210)	(389)
Utilisation of deposits	338	221
Exchange adjustments	5	103
At the end of the year	**(475)**	**(608)**

The above transactions were made in the ordinary course of business and are on the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

At 31 March R'million	Group 2018	Group 2017
50. Related-party transactions *(continued)*		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	817	1 134
Reverse repurchase agreements and cash collateral on securities borrowed	297	–
Loans and advances to customers	222	147
Other debt securities	633	1 578
Derivative financial instruments	350	592
Other assets	436	176
Liabilities		
Deposits from banks	311	480
Derivative financial instruments	49	87
Debt securities in issue	–	135
Other liabilities	132	299
The above outstanding balances arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.		
Where related parties have investment products (that may not be included in funds under management) offered to clients on terms and conditions in the ordinary course of business, these have not been included above as the group does not carry any exposure relating to these transactions (they are at client risk).		
Transactions with Investec plc and its subsidiaries		
Income statement		
Interest income	42	71
Interest expense	9	23
In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2018, this resulted in a net receipt from Investec plc group of R494.04 million (2017: R410.7 million).		
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	–	552
The loan arises from Investec's portion of funding in relation to the original 15% acquisition of Investec Asset Management by senior management of the business.		
Transactions with associates		
Amounts due from associates and its subsidiaries	3 386	4 597
Interest income from associates	206	89
Interest expense to associates	22	–
The above outstanding balances arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties		

For related party transactions within the company, refer to note 36.

At 31 March R'million	Group 2018	Group 2017
51. Commitments		
Undrawn facilities	47 856	44 425
	47 856	**44 425**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

	2018	2017
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	130	407
One to five years	301	2 059
Greater than five years	68	361
	499	**2 827**

At 31 March 2018, the group was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years the annual escalation clauses range between 7.0% and 10.0% per annum. The majority of the leases have renewal options.

At 31 March R'million	2018 Carrying amount of pledged asset	2018 Carrying value of related liability repurchase agreements and cash collateral on securities lent	2017 Carrying amount of pledged asset	2017 Carrying value of related liability repurchase agreements and cash collateral on securities lent
Group				
Sovereign debt securities	5 239	4 977	4 393	4 350
Bank debt securities	2 275	1 803	561	450
Other debt securities	855	645	805	644
Securities arising from trading activities	94	94	108	108
	8 463	**7 519**	**5 867**	**5 552**

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as repurchase agreements and cash collateral on securities borrowed.

At 31 March R'million	Group 2018	Group 2017
52. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	16 832	21 167
	16 832	**21 167**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

53. Hedges

Group

The group uses derivatives for management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury. Once aggregated and netted, Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Central Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, and cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and the hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group:

Fair value hedges

Fair value hedges were entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains/(losses) on hedging instrument	Current year gains/(losses) on hedging instrument	Cumulative gains/(losses) on hedged item	Current year gains/(losses) on hedged item
Group						
2018						
Interest rate swaps	Bonds	84	(201)	36	257	180
2017						
Interest rate swaps	Bonds	(358)	(197)	14	120	27
Company						
2018						
Interest rate swaps	Bonds	9	9	3	(11)	(3)
2017						
Interest rate swaps	Bonds	6	6	7	(7)	(8)

As at year end the hedges were both retrospectively and prospectively effective.

53. Hedges *(continued)*

Cash flow hedges

The group is exposed to variability in cash flows arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow affects the income statement.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period in which the hedged cash flows are expected to occur and affect income statement
Group			
2018			
Cross-currency swaps	Bonds	(518)	Three months
2017			
Cross-currency swaps	Bonds	(1 189)	Three months

There are cash flow hedges during the year to mitigate interest rate and currency risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity.

Releases to the income statement for cash flow hedges of R1.195 billion (2017: R3.2 billion) are included in net interest income.

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

Hedges of net investments in foreign operations

Investec Bank Limited entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in US Dollars, in Investec Bank (Mauritius) Limited, these were closed out in the current year.

Group R'million	Hedging instrument fair value
2018	–
2017	(149)

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

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

The balances in the table below will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows, please refer to page 71

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	> Five years	Total
Group								
2018								
Liabilities								
Deposits by banks	423	7 076	2 261	544	7 184	10 202	274	27 964
Derivative financial instruments	15 907	–	–	–	–	–	–	15 907
– held-for-trading	15 851	–	–	–	–	–	–	15 851
– held for hedging risk	56	–	–	–	–	–	–	56
Other trading liabilities	14 238	–	–	–	–	–	–	14 238
Repurchase agreements and cash collateral on securities lent	917	4 737	4	5	606	1 385	741	8 395
Customer accounts (deposits)	119 039	34 974	67 560	25 142	39 906	36 207	2 243	325 071
Debt securities in issue	–	277	86	395	2 511	3 248	420	6 937
Liabilities arising on securitisation of own originated loans and advances	–	77	64	80	760	1 437	518	2 936
Other liabilities	4 757	1 157	1 959	2 623	393	803	623	12 315
Subordinated liabilities	–	477	168	276	502	13 932	851	16 206
Total on balance sheet liabilities	**155 281**	**48 775**	**72 102**	**29 065**	**51 862**	**67 214**	**5 670**	**429 969**
Contingent liabilities	2 797	–	8 194	1 145	2 668	1 792	1 450	18 046
Commitments	5 473	392	5 791	1 750	2 256	12 368	19 826	47 856
Total liabilities	**163 551**	**49 167**	**86 087**	**31 960**	**56 786**	**81 374**	**26 946**	**495 871**

54. Liquidity analysis of financial liabilities based on undiscounted cash flows
(continued)

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	> Five years	Total
Group								
2017								
Liabilities								
Deposits by banks	516	3 346	1 817	1 396	6 664	21 318	698	35 755
Derivative financial instruments	12 558	–	–	–	–	–	–	12 558
– held-for-trading	12 514	–	–	–	–	–	–	12 514
– held for hedging risk	44	–	–	–	–	–	–	44
Other trading liabilities	14 134	–	–	–	–	–	–	14 134
Repurchase agreements and cash collateral on securities lent	1 018	4 251	3	142	964	1 389	100	7 867
Customer accounts (deposits)	127 841	37 317	53 821	25 396	28 892	28 494	4 439	306 200
Debt securities in issue	1	540	52	4 149	377	3 784	108	9 011
Liabilities arising on securitisation of own originated loans and advances	–	–	9	–	–	–	1 502	1 511
Other liabilities	5 100	1 716	1 680	458	310	878	807	10 949
Subordinated liabilities	–	758	137	1 847	443	10 123	4 693	18 001
Total on balance sheet liabilities	**161 168**	**47 928**	**57 519**	**33 388**	**37 650**	**65 986**	**12 347**	**415 986**
Contingent liabilities	1 213	6	6 685	1 728	783	10 184	1 495	22 094
Commitments	5 958	11	6 192	1 089	2 058	11 526	17 591	44 425
Total liabilities	**168 339**	**47 945**	**70 396**	**36 205**	**40 491**	**87 696**	**31 433**	**482 505**

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

(continued)

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	> Five years	Total
Company								
2018								
Liabilities								
Debt securities in issue	–	3	–	3	6	532	–	544
Other liabilities	–	26	–	40	–	–	489	555
Subordinated liabilities	–	8	19	27	53	1 843	–	1 950
Total on balance sheet liabilities	**–**	**37**	**19**	**70**	**59**	**2 375**	**489**	**3 049**
2017								
Liabilities								
Debt securities in issue	–	4	–	4	8	582	–	598
Other liabilities	–	25	40	–	–	–	312	377
Subordinated liabilities	–	8	3	27	37	299	892	1 266
Total on balance sheet liabilities	**–**	**37**	**43**	**31**	**45**	**881**	**1 204**	**2 241**

55. Offsetting

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
At 31 March R'million	**Gross amounts**	**Amounts offset**	**Net amounts reported on the balance sheet**	**Financial instruments (including non-cash collateral)**	**Net amount**
Group					
2018					
Assets					
Cash and balances at central banks	9 187	–	9 187	–	9 187
Loans and advances to banks	24 198	(4 578)	19 620	–	19 620
Non-sovereign and non-bank cash placements	9 993	–	9 993	–	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	24 217	–	24 217	(254)	23 963
Sovereign debt securities	62 403	–	62 403	(5 239)	57 164
Bank debt securities	7 965	–	7 965	(2 275)	5 690
Other debt securities	10 390	–	10 390	(855)	9 535
Derivative financial instruments	18 066	(5 503)	12 563	(4 837)	7 726
Securities arising from trading activities	12 289	–	12 289	(94)	12 195
Investment portfolio	6 928	–	6 928	–	6 928
Loans and advances to customers	251 029	(1 957)	249 072	–	249 072
Own originated loans and advances to customers securitised	7 630	–	7 630	–	7 630
Other loans and advances	265	–	265	–	265
Other securitised assets	299	–	299	–	299
Other assets	13 305	–	13 305	–	13 305
	458 164	**(12 038)**	**446 126**	**(13 554)**	**432 572**
Liabilities					
Deposits by banks	29 968	(2 175)	27 793	–	27 793
Derivative financial instruments	23 813	(7 906)	15 907	(4 837)	11 070
Other trading liabilities	14 238	–	14 238	–	14 238
Repurchase agreements and cash collateral on securities lent	8 395	–	8 395	(5 105)	3 290
Customer accounts (deposits)	323 780	(1 957)	321 823	–	321 823
Debt securities in issue	6 885	–	6 885	–	6 885
Liabilities arising on securitisation of own originated loans and advances	2 274	–	2 274	–	2 274
Other liabilities	12 310	–	12 310	–	12 310
Subordinated liabilities	15 013	–	15 013	–	15 013
	436 676	**(12 038)**	**424 638**	**(9 942)**	**414 696**

55. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
At 31 March R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
Group					
2017					
Assets					
Cash and balances at central banks	8 353	–	8 353	–	8 353
Loans and advances to banks	39 681	(4 655)	35 026	–	35 026
Non-sovereign and non-bank cash placements	8 993	–	8 993	–	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	30 567	–	30 567	(892)	29 675
Sovereign debt securities	47 822	–	47 822	(4 393)	43 429
Bank debt securities	7 758	–	7 758	(561)	7 197
Other debt securities	12 028	–	12 028	(805)	11 223
Derivative financial instruments	13 126	(3 284)	9 842	(3 495)	6 347
Securities arising from trading activities	14 320	–	14 320	(108)	14 212
Investment portfolio	6 502	–	6 502	–	6 502
Loans and advances to customers	229 240	(1 688)	227 552	–	227 552
Own originated loans and advances to customers securitised	8 673	–	8 673	–	8 673
Other loans and advances	310	–	310	–	310
Other securitised assets	173	–	173	–	173
Other assets	12 040	–	12 040	–	12 040
	439 586	**(9 627)**	**429 959**	**(10 254)**	**419 705**
Liabilities					
Deposits by banks	36 076	(643)	35 433	–	35 433
Derivative financial instruments	19 854	(7 296)	12 558	(3 495)	9 063
Other trading liabilities	14 134	–	14 134	–	14 134
Repurchase agreements and cash collateral on securities lent	7 825	–	7 825	(5 552)	2 273
Customer accounts (deposits)	305 158	(1 688)	303 470	–	303 470
Debt securities in issue	8 938	–	8 938	–	8 938
Liabilities arising on securitisation of own originated loans and advances	1 511	–	1 511	–	1 511
Other liabilities	10 940	–	10 940	–	10 940
Subordinated liabilities	13 805	–	13 805	–	13 805
	418 241	**(9 627)**	**408 614**	**(9 047)**	**399 567**

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