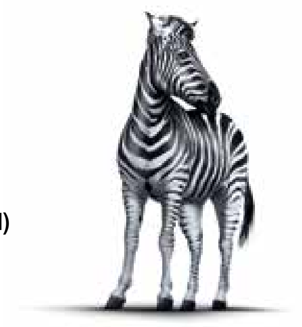
2016



INVESTEC BANK LIMITED

(a subsidiary of Investec Limited)

Unaudited condensed consolidated financial information for the year ended 31 March 2016

IFRS – Rand

Out of the Ordinary®

Investec

Overview of results

For the year to 31 March	2016	2015	% change
Total operating income before impairment losses on loans and advances (R'million)	10 388	8 946	16.1%
Operating costs (R'million)	5 537	4 818	14.9%
Profit before taxation (R'million)	4 295	3 673	16.9%
Headline earnings attributable to ordinary shareholders (R'million)	3 449	3 014	14.4%
Cost to income ratio	53.3%	53.9%	
Total capital resources (including subordinated liabilities) (R'million)	42 597	39 348	8.3%
Total shareholders equity (R'million)	31 865	28 899	10.3%
Total assets (R'million)	405 629	332 706	21.9%
Net core loans and advances (R'million)	215 239	177 528	21.2%
Customer accounts (deposits) (R'million)	279 736	221 377	26.4%
Cash and near cash balances (R'million)	124 907	88 691	40.8%
Capital adequacy ratio	14.6%	15.4%	
Tier 1 ratio	11.0%	11.4%	
Common equity tier 1 ratio	10.6%	11.0%	
Leverage ratio	7.3%	8.3%	
Defaults (net of impairments) as a % of net core loans and advances	1.06%	1.46%	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.26%	0.29%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	12.6x	11.4x	
Loans and advances to customers: customer accounts (deposits)	74.1%	78.1%	

For the year to 31 March R'million	2016	2015
Interest income	23 515	19 587
Interest expense	(16 803)	(14 066)
Net interest income	**6 712**	**5 521**
Fee and commission income	1 945	1 661
Fee and commission expense	(207)	(207)
Investment income	1 356	1 420
Trading income arising from		
– customer flow	293	290
– balance sheet management and other trading activities	298	260
Other operating (loss)/income	(9)	1
Total operating income before impairment losses on loans and advances	**10 388**	**8 946**
Impairment losses on loans and advances	(517)	(455)
Operating income	**9 871**	**8 491**
Operating costs	(5 537)	(4 818)
Operating profit before acquired intangibles	**4 334**	**3 673**
Amortisation of acquired intangibles	(39)	–
Profit before taxation	**4 295**	**3 673**
Taxation on operating profit before acquired intangibles	(831)	(545)
Taxation on acquired intangibles	11	–
Profit after taxation	**3 475**	**3 128**

Consolidated statement of total comprehensive income

For the year to 31 March R'million	2016	2015
Profit after taxation	3 475	3 128
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*	(699)	(619)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	(717)	322
Gain on realisation of available-for-sale assets recycled through the income statement*	(13)	–
Foreign currency adjustments on translating foreign operations	1 040	602
Total comprehensive income	**3 086**	**3 433**
Total comprehensive income attributable to ordinary shareholders	2 966	3 319
Total comprehensive income attributable to perpetual preference shareholders	120	114
Total comprehensive income	**3 086**	**3 433**

* *These amounts are net of taxation of R515.3 million (2015: R101.6 million).*

For the year to 31 March R'million	2016	2015
Profit after taxation	3 475	3 128
Preference dividends paid	(120)	(114)
Earnings attributable to ordinary shareholders	**3 355**	**3 014**
Headline adjustments, net of taxation*	94	–
Gain on realisation of available-for-sale assets recycled through the income statement	(13)	–
Write down of non-current assets classified as held-for-sale	107	–
Headline earnings attributable to ordinary shareholders	**3 449**	**3 014**

* *These amounts are net of taxation of R19.3 million (2015: Rnil).*

Consolidated balance sheet

At 31 March R'million	2016	2015
Cash and balances at central banks	7 801	6 261
Loans and advances to banks	26 779	33 422
Non-sovereign and non-bank cash placements	9 858	10 540
Reverse repurchase agreements and cash collateral on securities borrowed	38 912	10 095
Sovereign debt securities	41 325	31 378
Bank debt securities	13 968	17 332
Other debt securities	12 761	12 749
Derivative financial instruments	15 843	15 178
Securities arising from trading activities	992	1 289
Investment portfolio	6 360	9 972
Loans and advances to customers	207 272	172 993
Own originated loans and advances to customers securitised	7 967	4 535
Other loans and advances	367	472
Other securitised assets	115	618
Interest in associated undertakings	5 145	60
Deferred taxation assets	116	88
Other assets	3 656	1 262
Property and equipment	236	192
Investment properties	1	80
Goodwill	171	–
Intangible assets	524	190
Loans to group companies	5 460	3 268
Non-current assets classified as held for sale	–	732
	405 629	**332 706**
Liabilities		
Deposits by banks	37 242	29 792
Derivative financial instruments	13 424	12 401
Other trading liabilities	1 405	1 623
Repurchase agreements and cash collateral on securities lent	16 916	16 556
Customer accounts (deposits)	279 736	221 377
Debt securities in issue	7 665	5 517
Liabilities arising on securitisation of own originated loans and advances	809	1 089
Current taxation liabilities	671	1 186
Deferred taxation liabilities	122	76
Other liabilities	5 042	3 741
	363 032	**293 358**
Subordinated liabilities	10 732	10 449
	373 764	**303 807**
Equity		
Ordinary share capital	32	32
Share premium	14 885	14 885
Other reserves	566	764
Retained income	16 382	13 218
Total equity	**31 865**	**28 899**
Total liabilities and equity	**405 629**	**332 706**

For the year to March R'million	2016	2015
Balance at the beginning of the year	**28 899**	**25 601**
Total comprehensive income	3 086	3 433
Dividends paid to ordinary shareholders	–	(21)
Dividends paid to perpetual preference shareholders	(120)	(114)
Balance at the end of the year	**31 865**	**28 899**

Net interest income

For the year to 31 March R'million	Notes	2016 Balance sheet value	2016 Interest income	2015 Balance sheet value	2015 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	138 643	5 787	109 028	4 768
Core loans and advances	2	215 239	16 860	177 528	14 091
Private client		142 151	11 118	116 382	9 071
Corporate, institutional and other clients		73 088	5 742	61 146	5 020
Other debt securities and other loans and advances		13 128	610	13 221	411
Other interest-earning assets	3	5 575	258	3 886	317
Total interest-earning assets		**372 585**	**23 515**	**303 663**	**19 587**

For the year to 31 March R'million	Notes	2016 Balance sheet value	2016 Interest expense	2015 Balance sheet value	2015 Interest expense
Deposits by banks and other debt-related securities	4	61 823	(1 351)	51 865	(642)
Customer accounts (deposits)		279 736	(14 565)	221 377	(12 613)
Other interest-bearing liabilities	5	809	(98)	1 089	(35)
Subordinated liabilities		10 732	(789)	10 449	(776)
Total interest-bearing liabilities		**353 100**	**(16 803)**	**284 780**	**(14 066)**
Net interest income			**6 712**		**5 521**

Notes:

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

Net fee and commission income

For the year to 31 March R'million	2016	2015
Corporate and institutional transactional and advisory services	1 305	1 076
Private client transactional fees	640	585
Fee and commission income	1 945	1 661
Fee and commission expense	(207)	(207)
Net fee and commission income	**1 738**	**1 454**
Annuity fees (net of fees payable)	986	772
Deal fees	752	682

Investment income

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
2016					
Realised	3 869	63	60	19	4 011
Unrealised	(2 664)	–	(60)	1	(2 723)
Dividend income	385	–	–	–	385
Funding cost and other net related costs	(316)	–	–	(1)	(317)
	1 274	**63**	**–**	**19**	**1 356**
2015					
Realised	669	68	–	34	771
Unrealised	394	(8)	–	6	392
Dividend income	511	–	–	–	511
Funding cost and other net related costs	(253)	–	–	(1)	(254)
	1 321	**60**	**–**	**39**	**1 420**

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

Analysis of assets and liabilities by measurement basis

At 31 March 2016 R'million	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	7 801	–	7 801
Loans and advances to banks	–	26 779	–	26 779
Non-sovereign and non-bank cash placements	3	9 855	–	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	24 155	14 757	–	38 912
Sovereign debt securities	37 607	3 718	–	41 325
Bank debt securities	6 104	7 864	–	13 968
Other debt securities	10 532	2 229	–	12 761
Derivative financial instruments	15 843	–	–	15 843
Securities arising from trading activities	992	–	–	992
Investment portfolio	6 360	–	–	6 360
Loans and advances to customers	12 241	195 031	–	207 272
Own originated loans and advances to customers securitised	–	7 967	–	7 967
Other loans and advances	–	367	–	367
Other securitised assets	–	115	–	115
Interests in associated undertakings	–	–	5 145	5 145
Deferred taxation assets	–	–	116	116
Other assets	324	2 500	832	3 656
Property and equipment	–	–	236	236
Investment properties	–	–	1	1
Goodwill	–	–	171	171
Intangible assets	–	–	524	524
Loans to group companies	–	5 460	–	5 460
	114 161	**284 443**	**7 025**	**405 629**
Liabilities				
Deposits by banks	–	37 242	–	37 242
Derivative financial instruments	13 424	–	–	13 424
Other trading liabilities	1 405	–	–	1 405
Repurchase agreements and cash collateral on securities lent	2 509	14 407	–	16 916
Customer accounts (deposits)	12 059	267 677	–	279 736
Debt securities in issue	5 080	2 585	–	7 665
Liabilities arising on securitisation of own originated loans and advances	–	809	–	809
Current taxation liabilities	–	–	671	671
Deferred taxation liabilities	–	–	122	122
Other liabilities	680	1 233	3 129	5 042
Subordinated liabilities	–	10 732	–	10 732
	35 157	**334 685**	**3 922**	**373 764**

Financial instruments carried at fair value

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

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

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

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

		Fair value category		
At 31 March 2016 R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-sovereign and non-bank cash placements	3	–	3	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 155	–	24 155	–
Sovereign debt securities	37 607	37 607	–	–
Bank debt securities	6 104	4 429	1 675	–
Other debt securities	10 532	10 532	–	–
Derivative financial instruments	15 843	–	15 833	10
Securities arising from trading activities	992	992	–	–
Investment portfolio	6 360	3 287	503	2 570
Loans and advances to customers	12 241	–	12 241	–
Other assets	324	324	–	–
	114 161	**57 171**	**54 410**	**2 580**
Liabilities				
Derivative financial instruments	13 424	–	13 424	–
Other trading liabilities	1 405	576	829	–
Repurchase agreements and cash collateral on securities lent	2 509	–	2 509	–
Customer accounts (deposits)	12 059	–	12 059	–
Debt securities in issue	5 080	–	5 080	–
Other liabilities	680	–	680	–
	35 157	**576**	**34 581**	**–**
Net assets	**79 004**	**56 595**	**19 829**	**2 580**

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

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

LEVEL 3 INSTRUMENTS

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

R'million	2016
Balance at 1 April 2015	6 509
Total gains included in the income statement	761
Purchases	483
Sales	(5 379)
Issues	70
Settlements	(397)
Transfers into level 3	103
Transfers out of level 3	332
Foreign exchange adjustments	98
Balance at 31 March 2016	**2 580**

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

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 2016

R'million	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Investment income	739	3 450	(2 711)
Trading income arising from customer flow	22	22	–
	761	**3 472**	**(2 711)**

SENSITIVITY OF FAIR VALUES TO REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS BY LEVEL 3 INSTRUMENT TYPE

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

					Reflected in the income statement	
At 31 March 2016	**Level 3 balance sheet value**	**Valuation method**	**Significant unobservable input changed**	**Range which unobservable input has been changed**	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
Derivative financial instruments	10				1	(1)
		Price multiple	Net asset value	(10%) – 10%	1	(1)
Investment portfolio	2 570				399	(327)
		Price earnings	Change in PE multiple	*	102	(79)
		Other	Various	**	297	(248)
Total	**2 580**				**400**	**(328)**

* *The price-earnings multiple has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*
** *These valuation sensitivities have been determined individually using varying scenario-based techniques to obtain the favourable and unfavourable valuations.*

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

PRICE-EARNINGS MULTIPLE

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

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT LEVEL 2

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

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

Fair value of financial assets and liabilities at amortised cost

At 31 March 2016 R'million	Carrying amount	Fair value
Assets		
Cash and balances at central banks	7 801	7 801
Loans and advances to banks	26 779	26 779
Non-sovereign and non-bank cash placements	9 855	9 855
Reverse repurchase agreements and cash collateral on securities borrowed	14 757	14 757
Sovereign debt securities	3 718	3 798
Bank debt securities	7 864	8 778
Other debt securities	2 229	2 247
Loans and advances to customers	195 031	195 157
Own originated loans and advances to customers securitised	7 967	7 967
Other loans and advances	367	367
Other securitised assets	115	115
Other assets	2 500	2 500
Loans to group companies	5 460	5 460
	284 443	**285 581**
Liabilities		
Deposits by banks	37 242	37 399
Repurchase agreements and cash collateral on securities lent	14 407	14 452
Customer accounts (deposits)	267 677	268 191
Debt securities in issue	2 585	2 587
Liabilities arising on securitisation of own originated loans and advances	809	809
Other liabilities	1 233	1 233
Subordinated liabilities	10 732	11 692
	334 685	**336 363**

AN ANALYSIS OF OUR CORE LOANS AND ADVANCES, ASSET QUALITY AND IMPAIRMENTS

Core loans and advances comprise:

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

At 31 March R'million	2016	2015
Loans and advances to customers as per the balance sheet	207 272	172 993
Add: own originated loans and advances securitised as per the balance sheet	7 967	4 535
Net core loans and advances to customers	**215 239**	**177 528**

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

At 31 March R'million	2016	2015
Gross core loans and advances to customers	**216 155**	**178 669**
Total impairments	**(916)**	**(1 141)**
Specific impairments	(681)	(971)
Portfolio impairments	(235)	(170)
Net core loans and advances to customers	**215 239**	**177 528**
Average gross core loans and advances to customers	**197 412**	**165 652**
Current loans and advances to customers	211 807	173 775
Past due loans and advances to customers (1 – 60 days)	726	505
Special mention loans and advances to customers	415	660
Default loans and advances to customers	3 207	3 729
Gross core loans and advances to customers	**216 155**	**178 669**
Current loans and advances to customers	211 807	173 775
Default loans that are current and not impaired	867	787
Gross core loans and advances to customers that are past due but not impaired	1 653	1 720
Gross core loans and advances to customers that are impaired	1 828	2 387
Gross core loans and advances to customers	**216 155**	**178 669**
Total income statement charge for impairments on core loans and advances	**(523)**	**(482)**
Gross default loans and advances to customers	3 207	3 729
Specific impairments	(681)	(971)
Portfolio impairments	(235)	(170)
Defaults net of impairments	**2 291**	**2 588**
Aggregate collateral and other credit enhancements on defaults	3 690	3 717
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.42%	0.64%
Total impairments as a % of gross default loans	28.56%	30.60%
Gross defaults as a % of gross core loans and advances to customers	1.48%	2.09%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.06%	1.46%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.26%	0.29%

AN ANALYSIS OF CORE LOANS AND ADVANCES BY RISK CATEGORY AT 31 MARCH 2016

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**41 077**	**971**	**1 156**	**(205)**	**(80)**
Commercial real estate	37 677	501	666	(140)	(70)
Commercial real estate – investment	34 179	366	482	(97)	(40)
Commercial real estate – development	2 385	31	24	(19)	(8)
Commercial vacant land and planning	1 113	104	160	(24)	(22)
Residential real estate	3 400	470	490	(65)	(10)
Residential real estate – development	1 668	194	217	(14)	(71)
Residential vacant land and planning	1 732	276	273	(51)	61
High net worth and other private client lending	**101 569**	**1 500**	**2 167**	**(290)**	**(283)**
Mortgages	54 493	495	839	(80)	(45)
High net worth and specialised lending	47 076	1 005	1 328	(210)	(238)
Corporate and other lending	**73 509**	**736**	**367**	**(421)**	**(160)**
Acquisition finance	14 664	329	286	(70)	(98)
Asset-based lending	5 211	165	56	(143)	(51)
Other corporate and financial institutions and governments	42 622	106	25	(60)	(19)
Asset finance	4 081	–	–	(12)	21
Small ticket asset finance	1 421	–	–	–	13
Large ticket asset finance	2 660	–	–	(12)	8
Project finance	6 424	–	–	–	123
Resource finance	507	136	–	(136)	(136)
Total	**216 155**	**3 207**	**3 690**	**(916)**	**(523)**

^ *Where a positive number represents a recovery.*

AN ANALYSIS OF CORE LOANS AND ADVANCES BY RISK CATEGORY AT 31 MARCH 2015

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**38 031**	**1 311**	**1 303**	**(430)**	**(179)**
Commercial real estate	34 924	651	741	(251)	(144)
Commercial real estate – investment	31 030	276	443	(93)	(38)
Commercial real estate – development	2 372	72	76	(7)	(4)
Commercial vacant land and planning	1 522	303	222	(151)	(102)
Residential real estate	3 107	660	562	(179)	(35)
Residential real estate – development	1 590	346	333	(52)	(1)
Residential vacant land and planning	1 517	314	229	(127)	(34)
High net worth and other private client lending	**79 003**	**1 484**	**1 897**	**(222)**	**(29)**
Mortgages	46 155	448	739	(71)	(6)
High net worth and specialised lending	32 848	1 036	1 158	(151)	(23)
Corporate and other lending	**61 635**	**934**	**517**	**(489)**	**(274)**
Acquisition finance	16 303	481	313	(198)	(186)
Asset-based lending	3 717	170	117	(115)	(36)
Other corporate and financial institutions and governments	31 067	265	86	(127)	(56)
Asset finance	4 434	–	1	(31)	(21)
Small ticket asset finance	1 228	–	1	1	(16)
Large ticket asset finance	3 206	–	–	(32)	(5)
Project finance	5 597	18	–	(18)	25
Resource finance	517	–	–	–	–
Total	**178 669**	**3 729**	**3 717**	**(1 141)**	**(482)**

^ *Where a positive number represents a recovery.*

Liquidity coverage ratio (LCR)

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

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6/2014 and Directive 11/2014. This disclosure is in accordance with Pillar 3 of the Basel III liquidity accord.

The values in the table are calculated as the simple average of calendar daily values over the period 1 January 2016 to 31 March 2016 for Investec Bank Limited bank solo. All 60 business day observations were used. Investec Bank Limited consolidated group values use daily values for Investec Bank Limited bank solo, while those for other group entities use the average of January, February and March 2016 month-end values.

The minimum LCR requirement is 70% throughout 2016 and will increase by 10% each year to 100% on 1 January 2019. This applies to both IBL bank solo and Investec Bank Limited consolidated group.

Investec Bank Limited bank solo:

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

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

The composition of HQLA:

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

Changes since December 2015 quarter year-end:

The average LCR remains well in surplus of regulatory requirements, decreasing by 1.5%, with both the average HQLA and average stressed net cash outflows increasing by R7 billion.

Investec Bank Limited consolidated group:

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

(continued)

R'million	Investec Bank Limited Bank Solo		Investec Bank Limited Consolidated Group	
	Total unweighted value	**Total weighted value**	**Total unweighted value**	**Total weighted value**
High-quality liquid assets				
Total high-quality liquid assets		**62 049**		**62 095**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	47 471	4 747	50 827	5 083
Stable deposits	–	–	–	–
Less stable deposits	47 471	4 747	50 827	5 083
Unsecured wholesale funding, of which:	108 933	81 511	119 905	86 840
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	–	–	–	–
Non-operational deposits (all counterparties)	108 119	80 697	119 065	86 000
Unsecured debt	814	814	840	840
Secured wholesale funding	–	480	–	480
Additional requirements, of which:	60 560	9 434	62 257	9 600
Outflows related to derivatives exposures and other collateral requirements	18 502	4 377	18 502	4 377
Outflows related to loss of funding on debt products	1 149	1 149	1 149	1 149
(Undrawn committed) credit and liquidity facilities	40 909	3 908	42 606	4 074
Other contractual funding obligations	393	393	393	393
Other contingent funding obligations	119 369	6 701	118 838	6 669
Total cash outflows		**103 265**		**108 748**
Cash inflows				
Secured lending (e.g. reverse repos)	9 788	5 840	9 788	5 840
Inflows from fully performing exposures	41 718	38 742	52 201	48 817
Other cash inflows	5 089	5 089	5 409	5 409
Total cash inflows	**56 595**	**49 671**	**67 398**	**60 066**

		Total adjusted value		Total adjusted value
Total high-quality liquid assets		62 049		62 095
Total net cash outflows		53 594		48 682
Liquidity coverage ratio (%)		**117.3**		**130.1**

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

R'million	31 March 2016	31 March 2015
Tier 1 capital		
Shareholders' equity	30 331	27 365
Shareholders' equity per balance sheet	31 865	28 899
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	1 839	1 140
Cash flow hedging reserve	1 839	1 140
Deductions	(695)	(190)
Goodwill and intangible assets net of deferred tax	(695)	(190)
Common equity tier 1 capital	**31 475**	**28 315**
Additional tier 1 capital	**920**	**1 073**
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(614)	(461)
Tier 1 capital	**32 395**	**29 388**
Tier 2 capital	10 726	10 319
Collective impairments allowances	229	169
Tier 2 instruments	10 732	10 449
Phase out of non-qualifying tier 2 instruments	(235)	(299)
Total regulatory capital	**43 121**	**39 707**
Risk-weighted assets	**295 752**	**257 931**
Capital ratios		
Common equity tier 1 ratio	10.6%	11.0%
Tier 1 ratio	11.0%	11.4%
Total capital adequacy ratio	14.6%	15.4%
Leverage ratio	7.3%	8.3%

CAPITAL REQUIREMENTS

R'million	31 March 2016	31 March 2015
Capital requirements	**30 684**	**25 794**
Credit risk – prescribed standardised exposure classes	23 603	19 073
Corporates	13 278	11 505
Secured on real estate property	2 943	1 923
Short-term claims on institutions and corporates	4 876	3 242
Retail	483	549
Institutions	813	872
Other exposure classes	806	277
Securitisation exposures	404	705
Equity risk	4 005	4 297
Listed equities	305	847
Unlisted equities	3 700	3 450
Counterparty credit risk	569	576
Credit valuation adjustment risk	185	32
Market risk	475	324
Interest rate	66	88
Foreign exchange	212	113
Commodities	4	10
Equities	193	113
Operational risk – standardised approach	1 847	1 492
Risk-weighted assets	**295 752**	**257 931**
Credit risk – prescribed standardised exposure classes	227 504	190 717
Corporates	127 985	115 047
Secured on real estate property	28 361	19 230
Short-term claims on institutions and corporates	47 001	32 420
Retail	4 660	5 488
Institutions	7 838	8 717
Other exposure classes	7 766	2 770
Securitisation exposures	3 893	7 045
Equity risk	38 603	42 967
Listed equities	2 937	8 472
Unlisted equities	35 666	34 495
Counterparty credit risk	5 486	5 762
Credit valuation adjustment risk	1 783	324
Market risk	4 578	3 240
Interest rate	636	878
Foreign Exchange	2 039	1 134
Commodities	46	96
Equities	1 857	1 132
Operational risk – standardised approach	17 798	14 921

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

	31 March 2016	31 March 2015
Common equity tier 1 (as reported)	10.6%	11.0%
Common equity tier 1 ("fully loaded")^^	10.6%	10.9%
Tier 1 (as reported)	11.0%	11.4%
Total capital adequacy ratio (as reported)	14.6%	15.4%
Leverage ratio** – permanent capital	7.5%#	8.5%#
Leverage ratio** – current	7.3%#	8.3%#
Leverage ratio** – ("fully loaded")^^	7.1%#	8.0%#

^^ *Based on the group's understanding of current regulations, "fully loaded" is based on Basel III capital requirements as fully phased in by 2022.*
** *The leverage ratios are calculated on an end-quarter basis.*
\# *Based on revised BIS rules.*

SUMMARY COMPARISON OF ACCOUNTING ASSETS VERSUS LEVERAGE RATIO EXPOSURE MEASURE

Line #	R'million	31 March 2016	31 March 2015
1	Total consolidated assets as per published financial statements	405 629	332 706
	Adjustments for:	–	
2	Investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
4	Derivative financial instruments	(2 973)	(1 989)
5	Securities financing transactions (i.e. repos and similar secured lending)	389	(2 756)
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	38 519	24 960
7	Other adjustments	(693)	(190)
8	**Leverage ratio exposure**	**440 871**	**352 731**

LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Line #	R'million	31 March 2016	31 March 2015
	Leverage ratio framework		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	350 873	307 433
2	Asset amounts deducted in determining Basel III tier 1 capital	(693)	(190)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**350 180**	**307 243**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	9 673	8 081
5	Add-on amounts for PFE associated with all derivatives transactions	3 197	5 108
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	–	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**12 870**	**13 189**
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	34 936	6 672
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	Counterparty Credit Risk (CCR) exposures for SFT assets	4 366	667
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum line 12 to 15)**	**39 302**	**7 339**
17	Off-balance sheet exposure at gross notional amount	90 589	80 821
18	Adjustments for conversion to credit equivalent amounts	(52 070)	(55 861)
19	**Off-balance sheet items (sum line 17 and 18)**	**38 519**	**24 960**
20	Tier 1 capital	32 395	29 388
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**440 871**	**352 731**
22	**Basel III leverage ratio**	**7.3%**	**8.3%**

The full set of annual financial statements will be available on 30 June 2016.