Investec Bank Limited
(a subsidiary of Investec Limited)

2017

Financial information

Unaudited condensed consolidated financial information for the year ended 31 March 2017

IFRS – Rand

Out of the Ordinary®

Investec

Overview of results

For the year to 31 March	2017	2016	% change
Total operating income before impairment losses on loans and advances (R'million)	10 754	10 388	3.5%
Operating costs (R'million)	5 887	5 537	6.3%
Profit before taxation (R'million)	4 159	4 295	(3.2%)
Headline earnings attributable to ordinary shareholders (R'million)	3 069	3 449	(11.0%)
Cost to income ratio	54.7%	53.3%	
Total capital resources (including subordinated liabilities) (R'million)	48 345	42 597	13.5%
Total shareholders equity (R'million)	35 165	31 865	10.4%
Total assets (R'million)	425 687	411 980	3.3%
Net core loans and advances (R'million)	233 445	215 239	8.5%
Customer accounts (deposits) (R'million)	303 397	279 736	8.5%
Cash and near cash balances (R'million)	117 586	124 907	(5.9%)
Capital adequacy ratio^	15.4%	14.6%	
Tier 1 ratio^	11.1%	11.0%	
Common equity tier 1 ratio^	10.8%	10.6%	
Leverage ratio^	7.6%	7.2%	
Defaults (net of impairments) as a % of net core loans and advances	1.03%	1.06%	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.29%	0.26%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.6x	12.6x	
Loans and advances to customers: customer accounts (deposits)	74.4%	74.1%	

^ *The group's expected Basel III 'fully loaded' numbers are provided on page 22.*

For the year to 31 March R'million	2017	2016
Interest income	29 716	23 515
Interest expense	(22 297)	(16 803)
Net interest income	**7 419**	**6 712**
Fee and commission income	2 235	1 945
Fee and commission expense	(236)	(207)
Investment income	472	1 356
Share of post taxation operating profit/(loss) of associates	306	(11)*
Trading income arising from		
– customer flow	486	293
– balance sheet management and other trading activities	70	298
Other operating income	2	2*
Total operating income before impairment losses on loans and advances	**10 754**	**10 388**
Impairment losses on loans and advances	(657)	(517)
Operating income	**10 097**	**9 871**
Operating costs	(5 887)	(5 537)
Operating profit before acquired intangibles	**4 210**	**4 334**
Amortisation of acquired intangibles	(51)	(39)
Profit before taxation	**4 159**	**4 295**
Taxation on operating profit before acquired intangibles	(944)	(831)
Taxation on acquired intangibles	14	11
Profit after taxation	**3 229**	**3 475**

* *Share of post taxation operating profit/(loss) of associates has been disclosed separately from other operating income in the prior year.*

Consolidated statement of comprehensive income

For the year to 31 March R'million	2017	2016
Profit after taxation	3 229	3 475
Other comprehensive income:		
Items that may be reclassified to the income statement		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	943	(699)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	701	(717)
Gain on realisation of available-for-sale assets recycled through the income statement*	(61)	(13)
Foreign currency adjustments on translating foreign operations	(479)	1 040
Total comprehensive income	**4 333**	**3 086**
Total comprehensive income attributable to ordinary shareholders	4 202	2 966
Total comprehensive income attributable to perpetual preference shareholders	131	120
Total comprehensive income	**4 333**	**3 086**

* *These amounts are net of taxation of (R381.8 million) (2016: R515.3 million).*

For the year to 31 March R'million	2017	2016
Profit after taxation	3 229	3 475
Preference dividends paid	(131)	(120)
Earnings attributable to ordinary shareholders	**3 098**	**3 355**
Headline adjustments, net of taxation^	(29)	94
Gain on realisation of available-for-sale assets recycled through the income statement	(61)	(13)
Loss on non-current assets held for sale	32	107
Headline earnings attributable to ordinary shareholders	**3 069**	**3 449**

^ *Taxation on headline earnings adjustments amounted to R14.6 million [2016: (R19.3 million)].*

Consolidated balance sheet

At 31 March R'million	2017	2016
Assets		
Cash and balances at central banks	8 353	7 801
Loans and advances to banks	31 937	26 779
Non-sovereign and non-bank cash placements	8 993	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	26 627	38 912
Sovereign debt securities	47 822	41 325
Bank debt securities	7 758	13 968
Other debt securities	11 945	12 761
Derivative financial instruments	9 856	15 843
Securities arising from trading activities	653	992
Investment portfolio	7 204	6 360
Loans and advances to customers	225 669	207 272
Own originated loans and advances to customers securitised	7 776	7 967
Other loans and advances	310	367
Other securitised assets	100	115
Interest in associated undertakings	5 514	5 145
Deferred taxation assets	388	116
Other assets	5 266	3 656
Property and equipment	274	236
Investment properties	1	1
Goodwill	171	171
Intangible assets	508	524
Loans to group companies	18 106	11 811*
Non-current assets held for sale	456	–
	425 687	**411 980**
Liabilities		
Deposits by banks	32 378	37 242
Derivative financial instruments	12 556	13 424
Other trading liabilities	1 667	1 405
Repurchase agreements and cash collateral on securities lent	7 825	16 916
Customer accounts (deposits)	303 397	279 736
Debt securities in issue	5 823	7 665
Liabilities arising on securitisation of own originated loans and advances	673	809
Current taxation liabilities	977	671
Deferred taxation liabilities	109	122
Other liabilities	5 995	5 042
Loans from group companies	5 942	6 351*
	377 342	**369 383**
Subordinated liabilities	13 180	10 732
	390 522	**380 115**
Equity		
Ordinary share capital	32	32
Share premium	14 885	14 885
Other reserves	1 662	566
Retained income	18 586	16 382
Total equity	**35 165**	**31 865**
Total liabilities and equity	**425 687**	**411 980**

* *Restated, refer to restatements note on page 14.*

Condensed consolidated statement of changes in equity

For the year to March R'million	2017	2016
Balance at the beginning of the year	**31 865**	**28 899**
Total comprehensive income	4 333	3 086
Dividends paid to ordinary shareholders	(900)	–
Dividends paid to perpetual preference shareholders	(131)	(120)
Other equity movements	(2)	–
Balance at the end of the year	**35 165**	**31 865**

Net interest income

For the year to 31 March R'million	Notes	2017 Balance sheet value	2017 Interest income	2016 Balance sheet value	2016 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	131 490	7 060	138 643	5 787
Core loans and advances	2	233 445	21 359	215 239	16 860
Private client		155 194	14 262	142 151	11 118
Corporate, institutional and other clients		78 251	7 097	73 088	5 742
Other debt securities and other loans and advances		12 255	1 060	13 128	610
Other interest-earning assets	3	18 206	237	11 926	258
Total interest-earning assets		**395 396**	**29 716**	**378 936**	**23 515**

For the year to 31 March R'million	Notes	2017 Balance sheet value	2017 Interest expense	2016 Balance sheet value	2016 Interest expense
Deposits by banks and other debt-related securities	4	46 026	(1 576)	61 823	(1 351)
Customer accounts (deposits)		303 397	(19 799)	279 736	(14 565)
Other interest-bearing liabilities	5	6 615	58	6 351	(98)
Subordinated liabilities		13 180	(980)	10 732	(789)
Total interest-bearing liabilities		**369 218**	**(22 297)**	**358 642**	**(16 803)**
Net interest income			**7 419**		**6 712**
Net interest margin			**1.92%**		**1.95%**

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

Net fee and commission income

For the year to 31 March R'million	2017	2016
Corporate and institutional transactional and advisory services	1 556	1 305
Private client transactional fees	679	640
Fee and commission income	2 235	1 945
Fee and commission expense	(236)	(207)
Net fee and commission income	**1 999**	**1 738**
Annuity fees (net of fees payable)	1 296	986
Deal fees	703	752

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
2017					
Realised	354	127	–	42	523
Unrealised^	(261)	–	–	(208)	(469)
Dividend income	466	–	–	–	466
Funding and other net related costs	(43)	–	–	(5)	(48)
	516	**127**	**–**	**(171)**	**472**
2016					
Realised	3 869	63	60	19	4 011
Unrealised^	(2 664)	–	(60)	1	(2 723)
Dividend income	385	–	–	–	385
Funding and other net related costs	(316)	–	–	(1)	(317)
	1 274	**63**	**–**	**19**	**1 356**

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

Analysis of assets and liabilities by measurement basis

At 31 March 2017 R'million	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments or scoped out of IAS 39	Total
Assets				
Cash and balances at central banks	–	8 353	–	**8 353**
Loans and advances to banks	–	31 937	–	**31 937**
Non-sovereign and non-bank cash placements	–	8 993	–	**8 993**
Reverse repurchase agreements and cash collateral on securities borrowed	15 429	11 198	–	**26 627**
Sovereign debt securities	44 491	3 331	–	**47 822**
Bank debt securities	5 498	2 260	–	**7 758**
Other debt securities	9 901	2 044	–	**11 945**
Derivative financial instruments	9 856	–	–	**9 856**
Securities arising from trading activities	653	–	–	**653**
Investment portfolio	7 204	–	–	**7 204**
Loans and advances to customers	14 011	211 658	–	**225 669**
Own originated loans and advances to customers securitised	–	7 776	–	**7 776**
Other loans and advances	–	310	–	**310**
Other securitised assets	–	100	–	**100**
Interests in associated undertakings	–	–	5 514	**5 514**
Deferred taxation assets	–	–	388	**388**
Other assets	730	2 793	1 743	**5 266**
Property and equipment	–	–	274	**274**
Investment properties	–	–	1	**1**
Goodwill	–	–	171	**171**
Intangible assets	–	–	508	**508**
Loans to group companies	78	18 028	–	**18 106**
Non-current assets held for sale	456	–	–	**456**
	108 307	**308 781**	**8 599**	**425 687**
Liabilities				
Deposits by banks	–	32 378	–	**32 378**
Derivative financial instruments	12 556	–	–	**12 556**
Other trading liabilities	1 667	–	–	**1 667**
Repurchase agreements and cash collateral on securities lent	1 018	6 807	–	**7 825**
Customer accounts (deposits)	34 316	269 081	–	**303 397**
Debt securities in issue	3 707	2 116	–	**5 823**
Liabilities arising on securitisation of own originated loans and advances	–	673	–	**673**
Current taxation liabilities	–	–	977	**977**
Deferred taxation liabilities	–	–	109	**109**
Other liabilities	735	1 998	3 262	**5 995**
Loans from group companies	–	5 942	–	**5 942**
	53 999	**318 995**	**4 348**	**377 342**
Subordinated liabilities	–	13 180	–	**13 180**
	53 999	**332 175**	**4 348**	**390 522**

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 2017 R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	15 429	–	15 429	–
Sovereign debt securities	44 491	44 491	–	–
Bank debt securities	5 498	4 108	1 390	–
Other debt securities	9 901	6 436	3 465	–
Derivative financial instruments	9 856	–	9 846	10
Securities arising from trading activities	653	578	75	–
Investment portfolio	7 204	3 876	499	2 829
Loans and advances to customers	14 011	–	14 011	–
Loans to group companies	78	–	78	–
Other assets	730	730	–	–
Non-current assets held for sale	456	–	–	456
	108 307	**60 219**	**44 793**	**3 295**
Liabilities				
Derivative financial instruments	12 556	–	12 556	–
Other trading liabilities	1 667	350	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	–
	53 999	**350**	**53 649**	**–**
Net financial assets/(liabilities) at fair value	**54 308**	**59 869**	**(8 856)**	**3 295**

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	2017
Balance at 1 April 2016	**2 580**
Total losses recognised in the income statement	(65)
Purchases	1 226
Sales	(144)
Transfers into level 3	4
Transfers out of level 3	(298)
Foreign exchange adjustments	(8)
Balance at 31 March 2017	**3 295**

During the year a level 3 investment of R298 million of has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method.

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

For the year to 31 March 2017

R'million	Total	Realised	Unrealised
Total gains/(losses) recognised in the income statement for the year			
Investment (loss)/income	(65)	9	(74)
	(65)	**9**	**(74)**

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 2017	**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	Comparable sales	Property value	(10)%/10%	1	(1)
Investment portfolio	2 829				623	(608)
		Price earnings	EBITDA	*	335	(279)
		Discounted cash flow	Precious and industrial metals prices	(10)%/10%	231	(264)
		Other	Various	**	57	(65)
Non-current assets held for sale	456	Price earnings	Price earnings multiple	(10)%/10%	65	(58)
Total	**3 295**				**689**	**(667)**

* 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.

Precious and industrial metals

The price of precious and industrial metals is a key driver of future earn flows on these investments.

Measurement of financial assets and liabilities at level 2

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

	Valuation basis/techniques	Main assumptions
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
	Black-Scholes	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	Yield curve
	Black-Scholes	Volatilities
Securities arising from trading activities	Adjusted quoted price	Liquidity adjustment
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model	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 2017 R'million	Carrying amount	Fair value
Assets		
Cash and balances at central banks	8 353	8 353
Loans and advances to banks	31 937	31 937
Non-sovereign and non-bank cash placements	8 993	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	11 198	11 199
Sovereign debt securities	3 331	3 248
Bank debt securities	2 260	2 301
Other debt securities	2 044	2 054
Loans and advances to customers	211 658	211 777
Own originated loans and advances to customers securitised	7 776	7 776
Other loans and advances	310	310
Other securitised assets	100	100
Other assets	2 793	2 793
Loans to group companies	18 028	18 028
	308 781	**308 869**
Liabilities		
Deposits by banks	32 378	32 736
Repurchase agreements and cash collateral on securities lent	6 807	6 843
Customer accounts (deposits)	269 081	269 901
Debt securities in issue	2 116	2 119
Liabilities arising on securitisation of own originated loans and advances	673	673
Other liabilities	1 998	2 001
Loans from group companies and subsidiaries	5 942	5 942
Subordinated liabilities	13 180	13 917
	332 175	**334 132**

Restatements

The group had erroneously offset an amount of loans payable to group companies against loans receivable from group companies in the line item 'Loans to group companies' included in assets. The presentation has been amended in the current reporting period. To assist comparability, comparative financial information has been restated. In the prior years' annual financial statements, disclosure of loans to and from group companies was provided in the 'Loans to group companies' note of the annual financial statements.

The restatement to the balance sheet line items are noted below:

At 31 March R'million	2016	2015
Restated		
Loans to group companies	11 811	10 754
Loans from group companies	6 351	7 486
Total assets	411 980	340 192
Total liabilities	380 115	311 293
As previously reported		
Loans to group companies	5 460	3 268
Loans from group companies	n/a	n/a
Total assets	405 629	332 706
Total liabilities	373 764	303 807
Change to previously reported		
Loans to group companies	6 351	7 486
Loans from group companies	6 351	7 486
Total assets	6 351	7 486
Total liabilities	6 351	7 486

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

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	2017	2016
Loans and advances to customers as per the balance sheet	225 669	207 272
Add: Own originated loans and advances securitised as per the balance sheet	7 776	7 967
Net core loans and advances to customers	**233 445**	**215 239**

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	2017	2016
Gross core loans and advances to customers	**234 655**	**216 155**
Total impairments	**(1 210)**	**(916)**
Specific impairments	(884)	(681)
Portfolio impairments	(326)	(235)
Net core loans and advances to customers	**233 445**	**215 239**
Average gross core loans and advances to customers	**225 405**	**197 412**
Current loans and advances to customers	230 131	211 807
Past due loans and advances to customers (1 – 60 days)	670	726
Special mention loans and advances to customers	242	415
Default loans and advances to customers	3 612	3 207
Gross core loans and advances to customers	**234 655**	**216 155**
Current loans and advances to customers	230 131	211 807
Default loans that are current and not impaired	132	867
Gross core loans and advances to customers that are past due but not impaired	1 927	1 653
Gross core loans and advances to customers that are impaired	2 465	1 828
Gross core loans and advances to customers	**234 655**	**216 155**
Total income statement charge for impairments on core loans and advances	**(659)**	**(523)**
Gross default loans and advances to customers	3 612	3 207
Specific impairments	(884)	(681)
Portfolio impairments	(326)	(235)
Defaults net of impairments	**2 402**	**2 291**
Aggregate collateral and other credit enhancements on defaults	4 339	3 690
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.52%	0.42%
Total impairments as a % of gross default loans	33.50%	28.56%
Gross defaults as a % of gross core loans and advances to customers	1.54%	1.48%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.03%	1.06%
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)	0.29%	0.26%

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**40 552**	**990**	**1 158**	**(214)**	**(93)**
Commercial real estate	**36 532**	**615**	**781**	**(151)**	**(53)**
Commercial real estate – investment	33 660	546	653	(133)	(74)
Commercial real estate – development	1 868	–	1	–	11
Commercial vacant land and planning	1 004	69	127	(18)	10
Residential real estate	**4 020**	**375**	**377**	**(63)**	**(40)**
Residential real estate – development	2 661	310	313	(42)	(42)
Residential vacant land and planning	1 359	65	64	(21)	2
High net worth and other private client lending	**115 223**	**1 520**	**2 227**	**(146)**	**(282)**
Mortgages	60 487	723	994	(60)	(22)
High net worth and specialised lending	54 736	797	1 233	(86)	(260)
Corporate and other lending	**78 880**	**1 102**	**954**	**(524)**	**(182)**
Acquisition finance	13 357	582	534	(132)	(55)
Asset-based lending	5 936	176	285	(148)	(41)
Fund finance	5 548	–	–	–	4
Other corporate and financial institutions and governments	43 866	139	135	(72)	(32)
Asset finance	2 697	26	–	–	(9)
Small ticket asset finance	2 142	–	–	–	(9)
Large ticket asset finance	555	26	–	–	–
Project finance	6 414	–	–	–	1
Resource finance	1 062	179	–	(172)	(50)
Portfolio impairments	–	–	–	**(326)**	**(102)**
Total	**234 655**	**3 612**	**4 339**	**(1 210)**	**(659)**

^ *Where a positive number represents a recovery.*

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

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**41 077**	**971**	**1 156**	**(135)**	**(85)**
Commercial real estate	**37 677**	**501**	**666**	**(93)**	**(91)**
Commercial real estate – investment	34 179	366	482	(63)	(68)
Commercial real estate – development	2 385	31	24	(10)	–
Commercial vacant land and planning	1 113	104	160	(20)	(23)
Residential real estate	**3 400**	**470**	**490**	**(42)**	**6**
Residential real estate – development	1 668	194	217	(2)	(61)
Residential vacant land and planning	1 732	276	273	(40)	67
High net worth and other private client lending	**101 569**	**1 500**	**2 167**	**(171)**	**(222)**
Mortgages	54 493	495	839	(40)	(33)
High net worth and specialised lending	47 076	1 005	1 328	(131)	(189)
Corporate and other lending	**73 509**	**736**	**367**	**(376)**	**(150)**
Acquisition finance	14 664	329	286	(70)	(72)
Asset-based lending	5 211	165	56	(143)	(51)
Fund finance	3 668	–	–	–	–
Other corporate and financial institutions and governments	38 141	26	25	(13)	–
Asset finance	4 081	–	–	–	–
Small ticket asset finance	1 421	–	–	–	–
Large ticket asset finance	2 660	–	–	–	–
Project finance	6 424	–	–	–	123
Resource finance	1 320	216	–	(150)	(150)
Portfolio impairments	**–**	**–**	**–**	**(234)**	**(66)**
Total	**216 155**	**3 207**	**3 690**	**(916)**	**(523)**

^ *Where a positive number represents a recovery.*

Liquidity coverage ratio (LCR)

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 2017 to 31 March 2017 for Investec Bank Limited bank solo. All 63 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, March 2017 month-end values.

The minimum LCR requirement is 80% for 2017, increasing by 10% each year to 100% on 1 January 2019. This applies to both IBL bank solo and Investec Bank Limited consolidated group. The bank of Mauritius has published a LCR consultation paper for comment, and has given the Banks operating in the jurisdiction notice of the intention of the industry to meet the LCR standard in due course.

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, the bank established targets for deposits to be raised by market, channel, product, tenor band and client type designed to restrict the weighted outflows falling into the 30-day window.

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo
- On average, level 2 assets made up 4% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 4% to total HQLA
- Some foreign-denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2016 quarter year-end:

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

Investec Bank Limited consolidated group:

Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R5 billion are primarily to non-financial corporates, while their average stressed inflows of R9 billion are largely from banks. 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.

R'million	Investec Bank Limited Bank Solo Total unweighted value	Investec Bank Limited Bank Solo Total weighted value	Investec Bank Limited Consolidated Group Total unweighted value	Investec Bank Limited Consolidated Group Total weighted value
High-quality liquid assets				
Total high-quality liquid assets		**70 015**		**70 083**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	**58 907**	**5 891**	**61 853**	**6 185**
Stable deposits	–	–	–	–
Less stable deposits	58 907	5 891	61 853	6 185
Unsecured wholesale funding, of which:	**98 197**	**72 226**	**107 928**	**76 978**
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	–	–	–	–
Non-operational deposits (all counterparties)	97 322	71 351	107 035	76 085
Unsecured debt	875	875	893	893
Secured wholesale funding	–	705	–	705
Additional requirements, of which:	**53 809**	**9 684**	**55 952**	**9 893**
Outflows related to derivatives exposures and other collateral requirements	10 782	4 967	10 782	4 967
Outflows related to loss of funding on debt products	35	35	35	35
(Undrawn committed) credit and liquidity facilities	42 992	4 682	45 135	4 891
Other contractual funding obligations	359	359	674	674
Other contingent funding obligations	78 148	3 967	77 915	3 951
Total cash outflows	**–**	**92 833**	**–**	**98 072**
Cash inflows				
Secured lending (e.g. reverse repos)	15 471	4 365	15 471	4 365
Inflows from fully performing exposures	35 030	31 481	46 550	42 056
Other cash inflows	3 798	2 506	3 815	2 523
Total cash inflows	**54 299**	**38 352**	**65 836**	**48 944**

	Bank Solo Total adjusted value	Consolidated Group Total adjusted value
Total high-quality liquid assets	70 015	70 083
Total net cash outflows	54 481	49 128
Liquidity coverage ratio (%)	**130.0**	**144.0**

Capital adequacy

Capital structure and capital adequacy

R'million	31 March 2017^	31 March 2016
Tier 1 capital		
Shareholders' equity	33 631	30 331
Shareholders' equity per balance sheet	35 165	31 865
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	896	1 839
Cash flow hedging reserve	896	1 839
Deductions	(679)	(695)
Goodwill and intangible assets net of deferred tax	(679)	(695)
Common equity tier 1 capital	**33 848**	**31 475**
Additional tier 1 capital	**767**	**920**
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(767)	(614)
Tier 1 capital	**34 615**	**32 395**
Tier 2 capital	**13 501**	**10 726**
Collective impairments allowances	321	229
Tier 2 instruments	13 180	10 732
Phase out of non-qualifying tier 2 instruments	–	(235)
Tier 2 capital	**13 501**	**10 726**
Total regulatory capital	**48 116**	**43 121**
Risk-weighted assets	**313 010**	**295 752**
Capital ratios		
Common equity tier 1 ratio	10.8%	10.6%
Tier 1 ratio	11.1%	11.0%
Total capital adequacy ratio	15.4%	14.6%
Leverage ratio	7.6%	7.2%

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

Capital requirements

R'million	31 March 2017	31 March 2016
Capital requirements	**33 649**	**30 684**
Credit risk – prescribed standardised exposure classes	25 529	23 603
Corporates	12 678	13 278
Secured on real estate property	3 102	2 943
Short-term claims on institutions and corporates	7 850	4 876
Retail	566	483
Institutions	623	813
Other exposure classes	482	806
Securitisation exposures	228	404
Equity risk	4 730	4 005
Listed equities	500	305
Unlisted equities	4 230	3 700
Counterparty credit risk	574	569
Credit valuation adjustment risk	199	185
Market risk	413	475
Interest rate	99	66
Foreign exchange	103	212
Commodities	3	4
Equities	208	193
Operational risk – standardised approach	2 204	1 847
Risk-weighted assets	**313 010**	**295 752**
Credit risk – prescribed standardised exposure classes	237 474	227 504
Corporates	117 944	127 985
Secured on real estate property	28 856	28 361
Short-term claims on institutions and corporates	73 019	47 001
Retail	5 261	4 660
Institutions	5 792	7 838
Other exposure classes	4 483	7 766
Securitisation exposures	2 119	3 893
Equity risk	44 007	38 603
Listed equities	4 654	2 937
Unlisted equities	39 353	35 666
Counterparty credit risk	5 335	5 486
Credit valuation adjustment risk	1 848	1 783
Market risk	3 847	4 578
Interest rate	924	636
Foreign Exchange	955	2 039
Commodities	29	46
Equities	1 939	1 857
Operational risk – standardised approach	20 499	17 798

Capital adequacy

(continued)

A summary of capital adequacy and leverage ratios

	31 March 2017^	31 March 2016
Common equity tier 1 (as reported)	10.8%	10.6%
Common equity tier 1 ('fully loaded')^^	10.8%	10.6%
Tier 1 (as reported)	11.1%	11.0%
Total capital adequacy ratio (as reported)	15.4%	14.6%
Leverage ratio** – permanent capital	7.7%#	7.4%#
Leverage ratio** – current	7.6%#	7.2%#
Leverage ratio** – ('fully loaded')^^	7.4%#	7.0%#

Reconciliation of leverage ratios

R'million	31 March 2017	31 March 2016
Total assets per accounting balance sheet	**425 687**	**411 980**
Deconsolidation of non-financial/other entities	–	–
Consolidation of banking associates	–	–
Total assets per regulatory balance sheet	**425 687**	**411 980**
Reversal of accounting values:		
Derivatives	(9 856)	(15 843)
Securities financing transaction	(26 627)	–
Regulatory adjustments:	67 826	51 085
Derivatives market value	6 735	9 673
Derivative add-on amounts per the mark-to-market method	3 471	3 197
Securities financing transaction add-on for counterparty credit risk	24 045	389
Off-balance sheet items	34 255	38 521
Add-on for written credit derivatives	–	–
Exclusion of items already deducted from the capital measure	(680)	(695)
Exposure measure	**457 030**	**447 222**
Tier 1 capital	34 615	32 395
Leverage ratio – current**	**7.6%#**	**7.2%#**
Tier 1 capital 'fully loaded'	33 848	31 475
Leverage ratio – 'fully loaded'^^**	**7.4%#**	**7.0%#**

^^ *Based on the group's understanding of current and draft regulations. 'fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*
^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 13bps lower.*

The full set of annual financial statements will be available on 30 June 2017.