Out of the Ordinary

Investec

Investec Bank Limited
(a subsidiary of Investec Limited)
Financial information
Unaudited condensed consolidated financial information
for the year ended 31 March 2018
IFRS – Rand

2018

Overview of results

For the year to 31 March	2018	2017	% change
Total operating income before impairment losses on loans and advances (R'million)	11 446	10 754	6.4%
Operating costs (R'million)	6 100	5 887	3.6%
Profit before taxation (R'million)	4 475	4 159	7.6%
Headline earnings attributable to ordinary shareholders (R'million)	4 446	3 069	44.9%
Cost to income ratio	53.3%	54.7%	
Total capital resources (including subordinated liabilities) (R'million)	51 789	48 345	7.1%
Total shareholders equity (R'million)	38 415	35 165	9.2%
Total assets (R'million)	444 072	425 687	4.3%
Net core loans and advances (R'million)	254 304	233 445	8.9%
Customer accounts (deposits) (R'million)	321 893	303 397	6.1%
Cash and near cash balances (R'million)	116 533	117 586	(0.9%)
Capital adequacy ratio^	15.5%	15.4%	
Tier 1 ratio^	11.2%	11.1%	
Common equity tier 1 ratio^	10.9%	10.8%	
Leverage ratio^	7.7%	7.6%	
Defaults (net of impairments) as a % of net core loans and advances	0.56%	1.03%	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.28%	0.29%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.2x	11.6x	
Loans and advances to customers: customer accounts (deposits)	76.9%	74.4%	

^ *The group's expected Basel III 'fully loaded' numbers are provided on page 20.*

Consolidated income statement

For the year to 31 March R'million	2018	2017
Interest income	31 687	29 716
Interest expense	(24 125)	(22 297)
Net interest income	**7 562**	**7 419**
Fee and commission income	2 458	2 235
Fee and commission expense	(213)	(236)
Investment income	530	472
Share of post taxation profit of associates	777	306
Trading income/(loss) arising from:		
– customer flow	356	486
– balance sheet management and other trading activities	(26)	70
Other operating income	2	2
Total operating income before impairment losses on loans and advances	**11 446**	**10 754**
Impairment losses on loans and advances	(720)	(657)
Operating income	**10 726**	**10 097**
Operating costs	(6 100)	(5 887)
Operating profit before acquired intangibles	**4 626**	**4 210**
Amortisation of acquired intangibles	(51)	(51)
Operating profit	**4 575**	**4 159**
Additional costs on acquisition of subsidiary	(100)	–
Profit before taxation	**4 475**	**4 159**
Taxation on operating profit before acquired intangibles	184	(944)
Taxation on acquired intangibles	14	14
Profit after taxation	**4 673**	**3 229**

Consolidated statement of comprehensive income

For the year to 31 March R'million	2018	2017
Profit after taxation	4 673	3 229
Other comprehensive income:		
Items that may be reclassified to the income statement		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(99)	943
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	494	701
Gain on realisation of available-for-sale assets recycled through the income statement*	(94)	(61)
Foreign currency adjustments on translating foreign operations	(637)	(479)
Total comprehensive income	**4 337**	**4 333**
Total comprehensive income attributable to ordinary shareholders	4 204	4 202
Total comprehensive income attributable to perpetual preference shareholders	133	131
Total comprehensive income	**4 337**	**4 333**

* *These amounts are net of taxation of (R266.1 million) [2017: (R381.8 million)].*

Headline earnings

For the year to 31 March R'million	2018	2017
Profit after taxation	4 673	3 229
Preference dividends paid	(133)	(131)
Earnings attributable to ordinary shareholders	**4 540**	**3 098**
Headline adjustments	(94)	(29)
Gain on realisation of available-for-sale assets recycled through the income statement^	(94)	(61)
Loss on non-current assets held for sale^	–	32
Headline earnings attributable to ordinary shareholders	**4 446**	**3 069**

^ *Taxation on headline earnings adjustments amounted to (R36.6 million) [2017: (R14.6 million)].*

Consolidated balance sheet

At 31 March R'million	2018	2017
Assets		
Cash and balances at central banks	9 187	8 353
Loans and advances to banks	17 265	31 937
Non-sovereign and non-bank cash placements	9 993	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	20 480	26 627
Sovereign debt securities	62 403	47 822
Bank debt securities	8 051	7 758
Other debt securities	10 342	11 945
Derivative financial instruments	12 586	9 856
Securities arising from trading activities	875	653
Investment portfolio	7 943	7 204
Loans and advances to customers	247 474	225 669
Own originated loans and advances to customers securitised	6 830	7 776
Other loans and advances	265	310
Other securitised assets	241	100
Interest in associated undertakings	6 288	5 514
Deferred taxation assets	586	388
Other assets	6 686	5 266
Property and equipment	2 494	274
Investment properties	1	1
Goodwill	171	171
Intangible assets	412	508
Loans to group companies	13 499	18 106
Non-current assets held for sale	–	456
	444 072	**425 687**
Liabilities		
Deposits by banks	24 607	32 378
Derivative financial instruments	15 907	12 556
Other trading liabilities	2 305	1 667
Repurchase agreements and cash collateral on securities lent	8 395	7 825
Customer accounts (deposits)	321 893	303 397
Debt securities in issue	3 473	5 823
Liabilities arising on securitisation of own originated loans and advances	1 551	673
Current taxation liabilities	202	977
Deferred taxation liabilities	99	109
Other liabilities	6 844	5 995
Loans from group companies	7 007	5 942
	392 283	**377 342**
Subordinated liabilities	13 374	13 180
	405 657	**390 522**
Equity		
Ordinary share capital	32	32
Share premium	14 885	14 885
Other reserves	1 293	1 662
Retained income	21 855	18 586
Shareholders' equity excluding non-controlling interests	**38 065**	**35 165**
Other Additional Tier 1 securities in issue	350	–
Total equity	**38 415**	**35 165**
Total liabilities and equity	**444 072**	**425 687**

Condensed consolidated statement of changes in equity

For the year to 31 March R'million	2018	2017
Balance at the beginning of the year	**35 165**	**31 865**
Total comprehensive income	4 337	4 333
Dividends paid to ordinary shareholders	(1 304)	(900)
Dividends paid to perpetual preference shareholders	(133)	(131)
Issue of other Additional Tier 1 security instruments	350	–
Other equity movements	–	(2)
Balance at the end of the year	**38 415**	**35 165**

Additional income statement note disclosures

Net interest income

For the year to 31 March R'million	Notes	2018 Balance sheet value	2018 Interest income	2017 Balance sheet value	2017 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	127 379	7 029	131 490	7 060
Core loans and advances	2	254 304	23 200	233 445	21 359
Private client		171 144	15 476	155 194	14 262
Corporate, institutional and other clients		83 160	7 724	78 251	7 097
Other debt securities and other loans and advances		10 607	753	12 255	1 060
Other interest-earning assets	3	13 740	705	18 206	237
Total interest-earning assets		**406 030**	**31 687**	**395 396**	**29 716**

For the year to 31 March R'million	Notes	2018 Balance sheet value	2018 Interest expense	2017 Balance sheet value	2017 Interest expense
Deposits by banks and other debt-related securities	4	36 475	(1 564)	46 026	(1 576)
Customer accounts (deposits)		321 893	(21 455)	303 397	(19 799)
Other interest-bearing liabilities	5	8 558	67	6 615	58
Subordinated liabilities		13 374	(1 173)	13 180	(980)
Total interest-bearing liabilities		**380 300**	**(24 125)**	**369 218**	**(22 297)**
Net interest income			**7 562**		**7 419**
Net interest margin			**1.89%**		**1.92%**

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	2018	2017
Corporate and institutional transactional and advisory services	1 656	1 556
Private client transactional fees	802	679
Fee and commission income	2 458	2 235
Fee and commission expense	(213)	(236)
Net fee and commission income	**2 245**	**1 999**
Annuity fees (net of fees payable)	1 616	1 296
Deal fees	629	703

Investment income

For the year to 31 March R'million	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories	Total
2018				
Realised	655	128	5	788
Unrealised^	(630)	–	(3)	(633)
Dividend income	430	–	–	430
Funding and other net related costs	(55)	–	–	(55)
	400	**128**	**2**	**530**
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**

* *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.*

Additional IAS 34 disclosures

Analysis of assets and liabilities by measurement basis

At 31 March 2018 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	–	9 187	–	9 187
Loans and advances to banks	–	17 265	–	17 265
Non-sovereign and non-bank cash placements	574	9 419	–	9 993
Reverse repurchase agreements and cash collateral on securities borrowed	9 205	11 275	–	20 480
Sovereign debt securities	58 940	3 463	–	62 403
Bank debt securities	6 135	1 916	–	8 051
Other debt securities	9 053	1 289	–	10 342
Derivative financial instruments	12 586	–	–	12 586
Securities arising from trading activities	875	–	–	875
Investment portfolio	7 943	–	–	7 943
Loans and advances to customers	17 250	230 224	–	247 474
Own originated loans and advances to customers securitised	–	6 830	–	6 830
Other loans and advances	–	265	–	265
Other securitised assets	–	241	–	241
Interests in associated undertakings	–	–	6 288	6 288
Deferred taxation assets	–	–	586	586
Other assets	625	4 090	1 971	6 686
Property and equipment	–	–	2 494	2 494
Investment properties	–	–	1	1
Goodwill	–	–	171	171
Intangible assets	–	–	412	412
Loans to group companies	45	13 454	–	13 499
	123 231	**308 918**	**11 923**	**444 072**
Liabilities				
Deposits by banks	–	24 607	–	24 607
Derivative financial instruments	15 907	–	–	15 907
Other trading liabilities	2 305	–	–	2 305
Repurchase agreements and cash collateral on securities lent	917	7 478	–	8 395
Customer accounts (deposits)	39 485	282 408	–	321 893
Debt securities in issue	–	3 473	–	3 473
Liabilities arising on securitisation of own originated loans and advances	–	1 551	–	1 551
Current taxation liabilities	–	–	202	202
Deferred taxation liabilities	–	–	99	99
Other liabilities	291	3 377	3 176	6 844
Loans from group companies	–	7 007	–	7 007
	58 905	**329 901**	**3 477**	**392 283**
Subordinated liabilities	–	13 374	–	13 374
	58 905	**343 275**	**3 477**	**405 657**

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 2018 R'million	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-sovereign and non-bank cash placements	574	–	574	–
Reverse repurchase agreements and cash collateral on securities borrowed	9 205	–	9 205	–
Sovereign debt securities	58 940	58 940	–	–
Bank debt securities	6 135	4 883	1 252	–
Other debt securities	9 053	4 146	4 907	–
Derivative financial instruments	12 586	–	12 564	22
Securities arising from trading activities	875	791	84	–
Investment portfolio	7 943	4 419	1 563	1 961
Loans and advances to customers	17 250	–	17 250	–
Other assets	625	625	–	–
Loans to group companies	45	–	45	–
	123 231	**73 804**	**47 444**	**1 983**
Liabilities				
Derivative financial instruments	15 907	–	15 907	–
Other trading liabilities	2 305	692	1 613	–
Repurchase agreements and cash collateral on securities lent	917	–	917	–
Customer accounts (deposits)	39 485	–	39 485	–
Other liabilities	291	–	291	–
	58 905	**692**	**58 213**	**–**
Net financial assets/(liabilities) at fair value	**64 326**	**73 112**	**(10 769)**	**1 983**

Transfers between level 1 and level 2

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

Additional IAS 34 disclosures

(continued)

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	2018
Balance at 1 April 2017	3 295
Total losses recognised in the income statement	(135)
Purchases	542
Sales	(649)
Settlements	(95)
Transfers out of level 3	(950)
Foreign exchange adjustments	(25)
Balance at 31 March 2018	**1 983**

R950 million has been transferred out of level 3 into level 2 due to a listed share price input to the valuation model becoming available.

The group transfers between levels within the fair value hierarchy when the significance of the unobservable inputs change or if the valuation methods change.

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

For the year to 31 March 2018 R'million	Total	Realised	Unrealised
Total gains/(losses) recognised in the income statement			
Investment (loss)/income	(135)	399	(534)
	(135)	**399**	**(534)**

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	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	22	Price earnings	EBITDA	(10)%/10%	2	(2)
Investment portfolio	1 961				942	(974)
		Price earnings	EBITDA	*	805	(734)
		Discounted cash flow	Precious and industrial metals prices	(10)%/6%	40	(68)
		Discounted cash flow	Cash flow	*	10	(30)
		Other	Various	**	87	(142)
Total	**1 983**				**944**	**(976)**

* *The EBITDA and cash flows have 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		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price	Liquidity adjustment
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve
Loans from group companies	Discounted cash flow model	Yield curve

Fair value of financial assets and liabilities at amortised cost

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

At 31 March 2018 R'million	Carrying amount	Fair value
Assets		
Sovereign debt securities	3 463	3 458
Bank debt securities	1 916	1 951
Other debt securities	1 289	1 292
Loans and advances to customers	230 224	230 234
Liabilities		
Deposits by banks	24 607	24 813
Repurchase agreements and cash collateral on securities lent	7 478	7 475
Customer accounts (deposits)	282 408	283 334
Debt securities in issue	3 473	3 479
Subordinated liabilities	13 374	14 725

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	2018	2017
Loans and advances to customers as per the balance sheet	247 474	225 669
Add: Own originated loans and advances securitised as per the balance sheet	6 830	7 776
Net core loans and advances to customers	**254 304**	**233 445**

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	2018	2017
Gross core loans and advances to customers	**255 738**	**234 655**
Total impairments	**(1 434)**	**(1 210)**
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Net core loans and advances to customers	**254 304**	**233 445**
Average gross core loans and advances to customers	**245 197**	**225 405**
Current loans and advances to customers	251 474	230 131
Past due loans and advances to customers (1 – 60 days)	1 040	670
Special mention loans and advances to customers (1 – 90 days)	367	242
Default loans and advances to customers	2 857	3 612
Gross core loans and advances to customers	**255 738**	**234 655**
Current loans and advances to customers	251 474	230 131
Default loans that are current and not impaired	214	132
Gross core loans and advances to customers that are past due but not impaired	2 181	1 927
Gross core loans and advances to customers that are impaired	1 869	2 465
Gross core loans and advances to customers	**255 738**	**234 655**
Total income statement charge for impairments on core loans and advances	**(692)**	**(659)**
Gross default loans and advances to customers	2 857	3 612
Specific impairments	(795)	(884)
Portfolio impairments	(639)	(326)
Defaults net of impairments	**1 423**	**2 402**
Aggregate collateral and other credit enhancements on defaults	3 547	4 339
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.56%	0.52%
Total impairments as a % of gross default loans	50.19%	33.50%
Gross defaults as a % of gross core loans and advances to customers	1.12%	1.54%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.56%	1.03%
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)	0.28%	0.29%

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	**131 251**	**1 364**	**1 924**	**(168)**	**(18)**
Mortgages	67 269	874	1 075	(102)	(75)
High net worth and specialised lending	63 982	490	849	(66)	57
Corporate and other lending	**83 871**	**628**	**697**	**(308)**	**(129)**
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	47 709	160	153	(68)	21
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	**255 738**	**2 857**	**3 547**	**(1 434)**	**(692)**

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

^ *Where a positive number represents a recovery.*

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. This disclosure Template LIQ1 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by BCBS d400 (2017) and Directive D1/2018.

The values in the table are calculated as the simple average of the 90 calendar daily values over the period 1 January 2018 to 31 March 2018 for Investec Bank Limited (IBL) bank solo. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of January, February and March 2018 month-end values.

The minimum LCR requirement is 90% for 2018, increasing by 10% each year to 100% on 1 January 2019. This applies to both IBL bank solo and IBL consolidated group.

The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 70% from 1 January 2018.

Investec Bank Limited (IBL) Bank solo

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

- The structure and nature of deposits inside the 30-day window is the key driver of both the level and the volatility of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30-day contractual bucket. In turn these deposit characteristics determine the targeted level of high quality liquid assets (HQLA) required to be held as a counterbalance to the modelled stressed outflows.

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 contributed 4% of total HQLA. As of 1 December 2017, we no longer make use of the SARB's committed liquidity facility (CLF).
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2017 quarter-end:

The average LCR increased slightly, by 1.5%, and remains fully compliant with regulatory requirements, and within the target range as set by the Board.

Investec Bank Limited consolidated group

Only banking and/or deposit-taking entities are included and the group data represents an aggregation of the relevant individual net cash outflows and the individual HQLA portfolios. 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. The consolidated group LCR is almost on a par with IBL solo's, with the increase being due to IBM adopting the standard in the jurisdiction.

R'million	Investec Bank Limited Bank Solo – Total weighted value	Investec Bank Limited Consolidated group – Total weighted value
High quality liquid assets (HQLA)	79 327	80 106
Net cash outflows	59 272	60 179
Actual LCR (%)	**133.9**	**133.2**
Required LCR (%)	90.0	90.0

Net Stable Funding Ratio (NSFR)

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increasing its risk of failure and potentially lead to broader systemic risk.

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 NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by Directive 11/2015 and Directive 01/2018.

The values in the table are calculated as at 31 March 2018.

The minimum NSFR requirement is 100%. This applies to both IBL bank solo and Investec Bank Limited consolidated group.

The Bank of Mauritius does not currently require banks to comply with the NSFR.

Investec Bank Limited Bank (IBL) solo

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

- The customer type and residual maturity of deposits are the key drivers of available stable funding, in particular those from either retail and small business customers or with maturity longer than a year. Capital issued is also a significant contributor.
- The customer type and residual maturity of loans, as well as holdings in securities eligible as HQLA, are the key drivers of available stable funding. Lower weightings apply to mortgages, shorter-term loans to non-financial customers and especially HQLA.

Investec Bank Limited consolidated group

Only banking and/or deposit-taking entities are included and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 96% of the group's combined available and required stable funding. The consolidated group NSFR is slightly higher than IBL solo's with the contribution of IBM's capital to available stable funding.

R'million	Investec Bank Limited Bank Solo – Total weighted value	Investec Bank Limited Consolidated group – Total weighted value
Available stable funding (ASF)	268 129	281 049
Required stable funding (RSF)	247 436	256 344
Actual NSFR (%)	**108.4**	**109.6**
Required NSFR (%)	100.0	100.0

Capital structure and capital adequacy

R'million	31 March 2018^	31 March 2017^
Tier 1 capital		
Shareholders' equity	36 531	33 631
Shareholders' equity per balance sheet	38 065	35 165
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	994	896
Cash flow hedging reserve	994	896
Deductions	(2 696)	(679)
Goodwill and intangible assets net of deferred tax	(583)	(679)
Investment in financial entity	(2 113)	–
Common equity tier 1 capital	**34 829**	**33 848**
Additional tier 1 capital	**963**	**767**
Additional tier 1 instruments	1 884	1 534
Phase out of non-qualifying additional tier 1 instruments	(921)	(767)
Tier 1 capital	**35 792**	**34 615**
Tier 2 capital	**14 009**	**13 501**
Collective impairments allowances	635	321
Tier 2 instruments	13 374	13 180
Phase out of non-qualifying tier 2 instruments	–	–
Tier 2 capital	**14 009**	**13 501**
Total regulatory capital	**49 801**	**48 116**
Risk-weighted assets	**320 607**	**313 010**
Capital ratios		
Common equity tier 1 ratio	10.9%	10.8%
Tier 1 ratio	11.2%	11.1%
Total capital adequacy ratio	15.5%	15.4%

^ *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 (March 2017: 13bps lower).*

Capital adequacy

(continued)

Capital requirements

R'million	31 March 2018	31 March 2017
Capital requirements	**35 668**	**33 649**
Credit risk	28 870	25 529
Equity risk	2 521	4 730
Counterparty credit risk	655	574
Credit valuation adjustment risk	697	199
Market risk	502	413
Operational risk	2 423	2 204
Risk-weighted assets	**320 607**	**313 010**
Credit risk	259 494	237 474
Equity risk	22 663	44 007
Counterparty credit risk	5 887	5 335
Credit valuation adjustment risk	6 269	1 848
Market risk	4 515	3 847
Operational risk	21 779	20 499

Leverage ratios

R'million	31 March 2018	31 March 2017
Exposure measure	**466 846**	**457 030**
Tier 1 capital	35 792	34 615
Leverage ratio – current**	**7.7%#**	**7.6%#**
Tier 1 capital 'fully loaded'	35 179	33 848
Leverage ratio – 'fully loaded'^^**	**7.5%#**	**7.4%#**

A summary of capital adequacy and leverage ratios

	31 March 2018^	31 March 2017^
Common equity tier 1 (as reported)	10.9%	10.8%
Common equity tier 1 ('fully loaded')^^	10.9%	10.8%
Tier 1 (as reported)	11.2%	11.1%
Total capital adequacy ratio (as reported)	15.5%	15.4%
Leverage ratio** – current	7.7%#	7.6%#
Leverage ratio** – ('fully loaded')^^	7.5%#	7.4%#

** *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 (March 2017: 13bps lower).*

^^ *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 the SARB Regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

The full set of annual financial statements will be available on 30 June 2018.