Annual Report

2017

Investec integrated
annual review and summary
financial statements

Out of the Ordinary®

Investec

2017 *About this abridged report*

The integrated annual review and summary financial statements has been compiled in accordance with the integrated reporting principles contained in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa (King Code). This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

The summary annual financial statements have been approved by the board of directors of the group and were signed on its behalf by the chief executive officer, Mr S Koseff. This document provides a summary of the information contained in the Investec's 2017 integrated annual report (annual report). It it not the group's statutory accounts and does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group as would be provided by the full annual report. For further information consult the full annual financial statements, the unqualified auditor's report on those annual financial statements and the directors' report. The auditors' report did not contain a statement under section 498(2) or section 498(2) of the UK Companies Act 2006.

Ongoing and statutory information

Statutory information is set out in section five of this report. The sale of businesses during the 2015 financial year (as explained on page 26) had a significant effect on the comparability of the group's financial position and results, particularly in financial year 2015 and 2016.

In order to present a more meaningful view of our performance, the results are presented on an ongoing basis. This information is only set out on pages 58 to 64. The additional information presented on an ongoing basis excludes items that, in management's view, could distort the comparison of performance between periods (for both current and historical information).

Based on this principle, the following items are excluded from underlying statutory profit (for both current and historic information, where relevant) to derive ongoing operating profit:

- The results of the businesses sold, i.e. Investec Bank (Australia) Limited, the UK Kensington business and the Start (Irish) mortgage business; and
- The remaining legacy business in the UK (as set out on page 65).

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2016.

A reconciliation between the statutory and ongoing income statement is provided on page 59. All information in our abridged report is based on our statutory accounts unless otherwise indicated.

Cross reference tools

1

Audited information

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

2

Page references

Refers readers to information elsewhere in this report

3

Website

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

4

Sustainability

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

5

Reporting standard

Denotes our consideration of a reporting standard

Feedback

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

For queries regarding information in this document

Investor Relations

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Investor Relations

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

Contents

01

Investec in perspective

Strong client activity levels supporting underlying performance

- Strong performance against a backdrop of continued macro uncertainty and volatility in the group's key operating geographies.
- The Asset Management and Wealth & Investment businesses have benefited from higher funds under management supported by rising market levels.
- The Specialist Banking business reported results ahead of the prior year supported by sound levels of corporate and private client activity.
- Growth in costs primarily reflects planned investment in growing the client franchise businesses.
- The group has successfully leveraged its ability to provide clients an international offering, increasing its client base and deepening its core franchise.

Statutory financial performance

2017	2016
£599.1mn	**£505.6mn**

Operating profit* increased 18.5% (increase of 8.0% on a currency neutral basis)

2017	2016
£434.5mn	**£359.7mn**

Adjusted attributable earnings^ increased 20.8% (increase of 9.9% on a currency neutral basis)

2017	2016
48.3p	**41.3p**

Adjusted earnings per share^ increased 16.9% (increase of 6.3% on a currency neutral basis)

We continued to actively manage down the UK legacy portfolio...

- The legacy portfolio reduced from £583 million at 31 March 2016 to £476 million through asset sales, redemptions and write-offs.
- The legacy business reported a loss before taxation of £64.6 million (2016: £78.3 million) with impairments on the legacy portfolio reducing 20.3% from £68.1 million to £54.3 million.

2017	2016
23.0p	**21.0p**

Dividends per share increased 9.5%

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Solid performance from the ongoing business

2017	2016
£663.7mn	£583.9mn

Operating profit* increased 13.7% (increase of 4.2% on a currency neutral basis)

2017	2016
£487.1mn	£423.1mn

Adjusted attributable earnings^ increased 15.1% (increase of 5.3% on a currency neutral basis)

2017	2016
54.1p	48.6p

Adjusted earnings per share^ increased 11.3% (increase of 1.9% on a currency neutral basis)

2017	2016
72.0%	71.8%

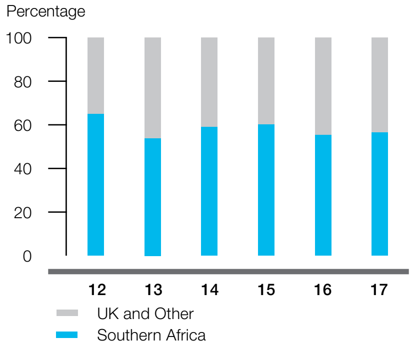
Recurring income as a % of total operating income

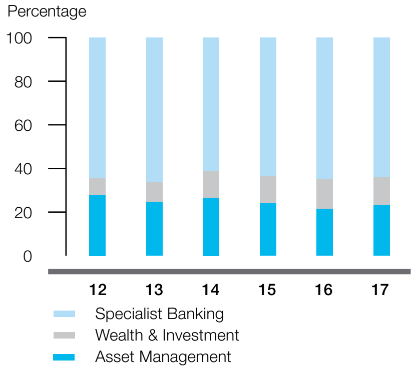
2017	2016
0.29%	0.26%

Credit loss charge as a % of average gross core loans and advances

We have a diversified business model...

% contribution of operating profit before taxation of the ongoing business (excluding group costs)*

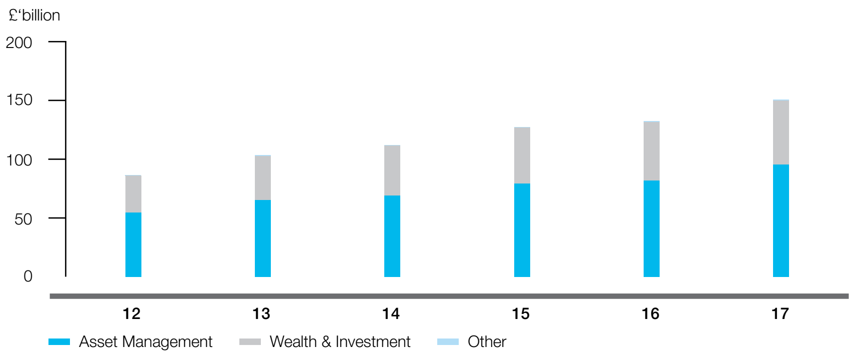




We continued to grow our key earnings drivers...

Funds under management increased 23.9% to £150.7 billion – an increase of 14.8% on a currency neutral basis

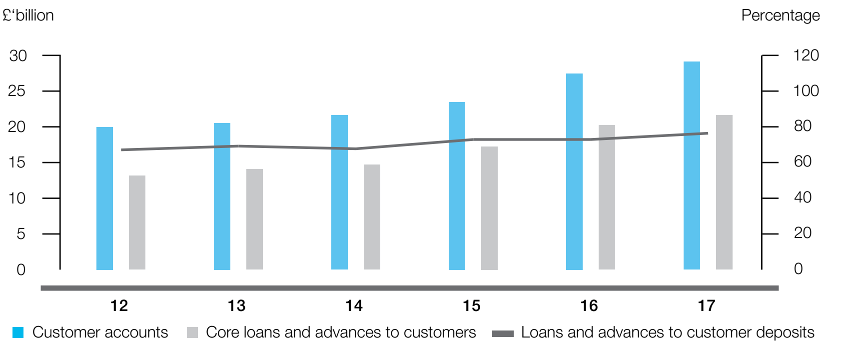
Funds under management**



Customer accounts (deposits) increased 21.1% to £29.1 billion – an increase of 5.5% on a currency neutral basis

Core loans and advances increased 26.8% to £22.2 billion – an increase of 8.5% on a currency neutral basis

Customer accounts (deposits) and loans ongoing business**



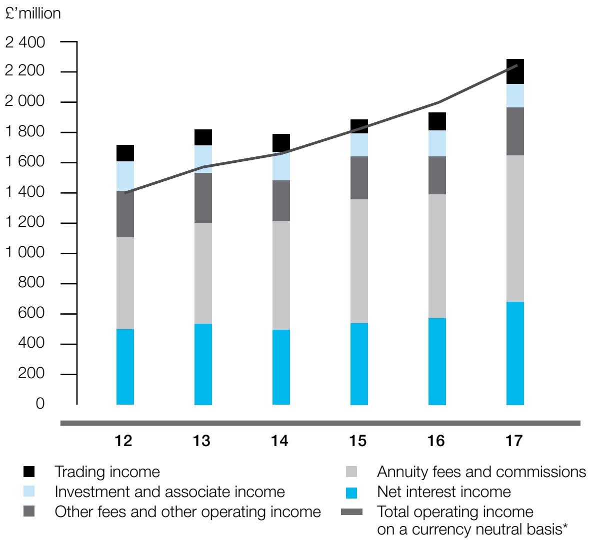
* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

** *Trends in these graphs are shown on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2017.*

Supporting growth in operating income...

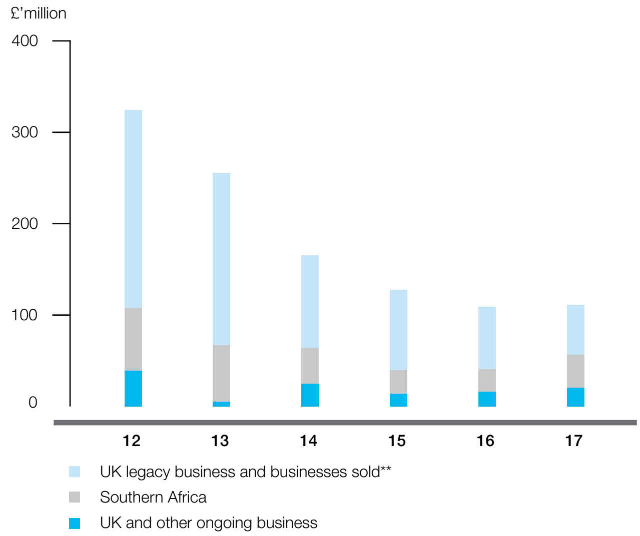
Total operating income ongoing business



* *The trend for this line is shown on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2017.*

Marginal increase in impairments...

Impairments

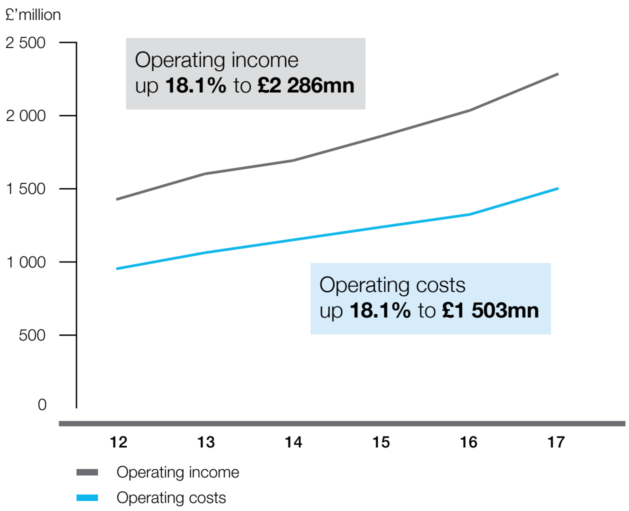


** *Refers to the remaining UK legacy business and group assets that were sold in the 2015 financial year.*

Costs increased largely due to planned investment across the business...

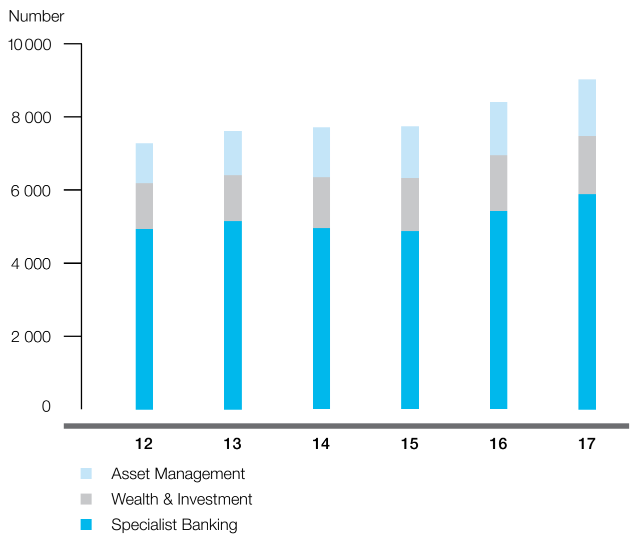
Operating costs increased reflecting: planned spend on IT infrastructure and headcount across divisions to support increased activity levels and growth initiatives (notably the build out of the UK private client offering); additional UK premises expenses; an increase in variable remuneration given improved profitability across the group.

Jaws ratio for the group (ongoing business)^



^ *Trends in this graph are shown on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2017.*

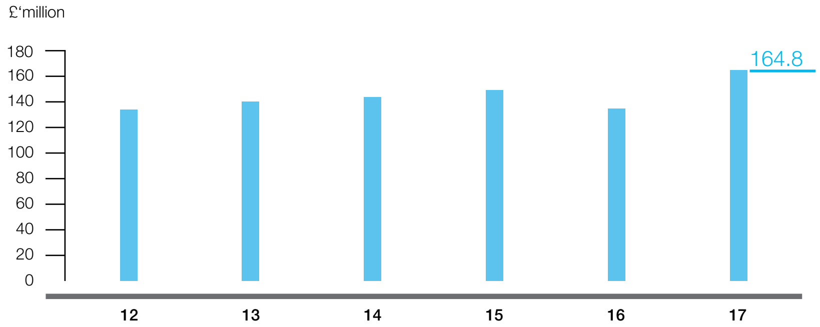
Headcount^^



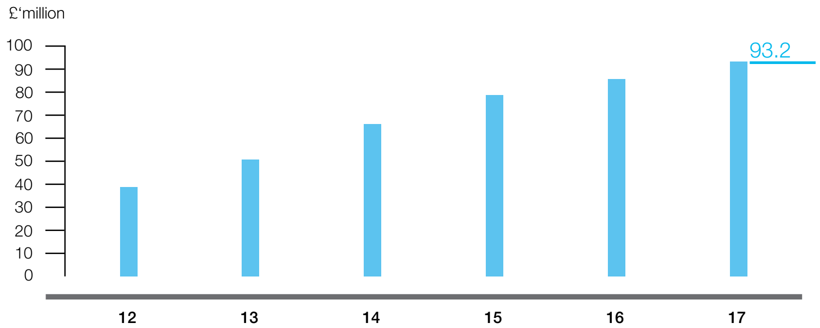
^^ *Permanent headcount and includes acquisitions.*

Resulting in a solid performance from our ongoing business…

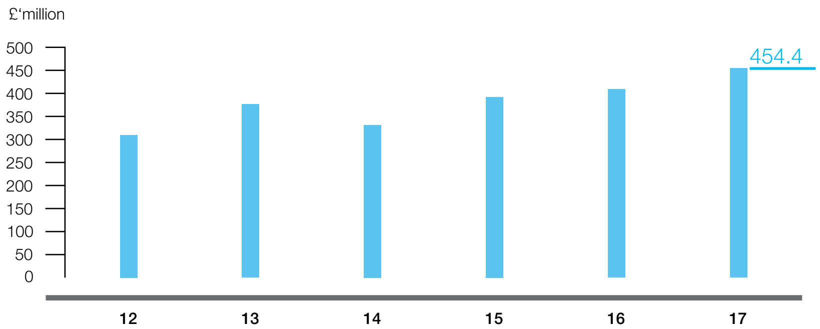
Operating profit* – Asset Management



Operating profit* – Wealth & Investment



Operating profit* – Specialist Banking ongoing business



Progress made on our financial targets…

		Ongoing		Statutory	
	Target	March 2017	March 2016	March 2017	March 2016
ROE (post-tax)	12% – 16% over a rolling five-year period	14.2%	13.9%	12.5%	11.5%
Adjusted^ EPS growth	Target: 10% > UKPRI	11.3%	2.3%	16.9%	4.8%
Cost to income	Target: < 65%	65.8%	65.8%	66.3%	66.4%
Dividend cover (times)	Target: 1.7x – 3.5x	n/a	n/a	2.1x	2.0x

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

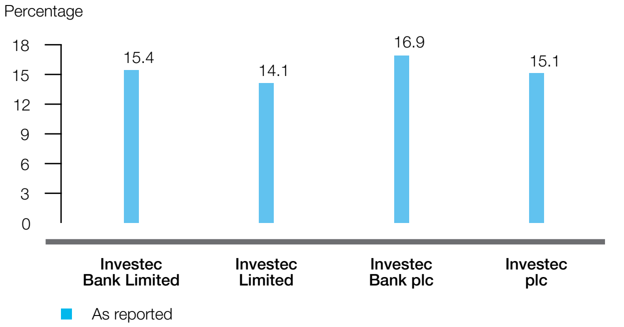
^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Maintained a sound balance sheet...

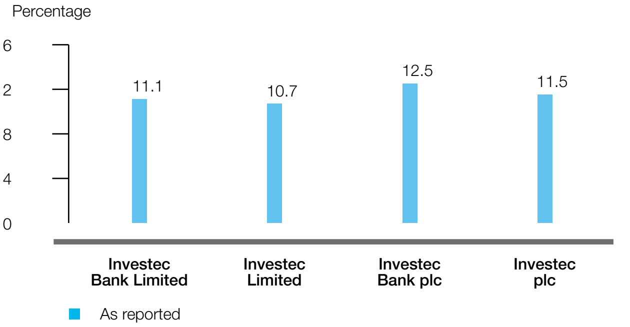
Target

Total capital adequacy: 14.0% – 17.0%
Common equity tier 1 ratio: > 10.0%
Total tier 1 ratio: > 11.0%
Leverage ratio: > 6.0%

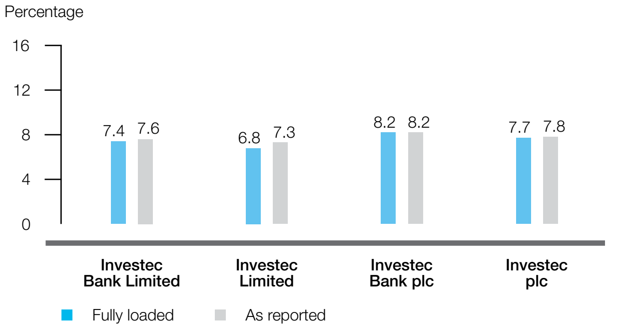
Capital adequacy



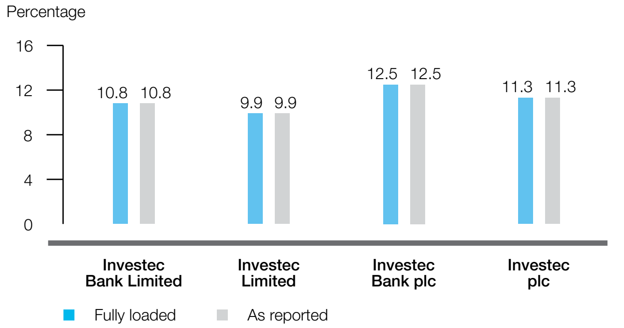
Tier 1



Leverage ratios



Common equity tier 1



Note: Refer to page 203 for detailed definitions and explanations.

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25.0%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk.

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

A well-established liquidity management philosophy remains in place.

The group's loan to deposit ratios are as follows:

- Investec Limited: 75.0% (2016: 74.6%)
- Investec plc: 78.2% (2016: 72.2%)

Liquidity remains strong with cash and near cash balances amounting to £12.0 billion (2016: £11.0 billion).

Capital remained in excess of current regulatory requirements.

We are comfortable with our common equity tier 1 ratio target at a 10% level as our leverage ratios for Investec Limited and Investec plc are at 7.3% and 7.8% respectively.

Value added statement

Contributing to society, macro-economic stability and the environment.

For Investec, corporate responsibility is about building our businesses to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving clients' and stakeholders' wealth based on strong relationships of trust. This commitment to corporate responsibility means integrating social, ethical and environmental considerations into our day-to-day operations. A key element of this is solid corporate governance that ensures sustainable management with a long-term vision.

For further information download the corporate responsibility report available on our website.

£'000	31 March 2017	31 March 2016
Net income generated		
Interest receivable	2 230 765	1 705 640
Other income	1 525 789	1 313 997
Interest payable	(1 550 870)	(1 131 871)
Other operating expenditure and impairments on loans	(439 962)	(383 059)
	1 765 722	**1 504 707**
Distributed as follows:		
Employees	757 390	588 759
Salaries, wages and other benefits		
Government	522 984	507 341
Corporation, deferred payroll and other taxes		
Shareholders	242 440	206 139
Dividends paid to ordinary shareholders	216 602	180 009
Dividends paid to preference shareholders	25 838	26 130
Retention for future expansion and growth	242 908	202 468
Depreciation	25 006	22 745
Retained income for the year	217 902	179 723
Total	**1 765 722**	**1 504 707**

Investec carries out its commitment to corporate responsibility through three key focus areas of people, planet and profit.

People

We care about our EMPLOYEES:

- Attracting and developing a strong, diverse and capable workforce
- Providing a progressive work environment
- Respecting and upholding human rights

£22.9mn Employee learning and development spend (2016: £14.7mn)

We care about our COMMUNITIES:

Unselfishly contributing to our communities through education and entrepreneurship

£7.1mn Group Corporate Social and Investment (CSI) spend (2016: £5.0mn)

We care about our CLIENTS:

- At Investec, we pride ourselves on giving our clients an extraordinary experience
- We strive to build business depth by deepening existing and creating new client relationships
- We provide a high level of service by being nimble, flexible and innovative.

Recognition

- Winner of the Business in the Community's Responsible Business Awards 2016 (Building Stronger Communities) for our flagship programme the Beyond Business social enterprise incubator we run in partnership with the Bromley by Bow Centre
- Winner in the National CSR Awards 2017, in the Individual Community (Legacy) category, and a finalist in the Business Charity Awards 2017, in the Community Impact category, for the Beyond Business Programme
- Short listed in the Business Charity Awards, in the Outstanding Employee category
- SERAS awards – most socially responsible company in Africa
- SERAS awards – second runner up in CSR practitioner of the year
- Investec has been voted second most attractive employer in South Africa in the 2017 Universum awards.

Planet

Direct impact:

Reduce the operational impacts of our physical business.

- Scope 1 emissions (tones of CO_2e) decreased 5.6%
- Scope 2 emissions (tonnes of CO_2e) decreased 4.1%
- Scope 3 emissions (tonnes of CO_2e) decreased 12.4%.

64 506 CO_2 | Total emissions (tonnes of CO_2e) decreased 7.9%

Indirect impact:

- Embed environmental considerations into business activities
- Responsible financing and investing
- Participating in renewable energy projects and green developments.

£1.8bn | Participated in the **renewable energy sector**

Conserving the environment:

Given Investec's African heritage, we are passionate about ensuring the continued existence of a number of African species

- Over R12 million spent on **Rhino Lifeline** since inception. Over 66% spent on educating communities
- R3.5 million spent on **BirdLife SA** since inception.

Recognition

- Investec Limited won the IJ Global African Renewables deal 2016 Award for the Kathu Solar Park Concentrated Solar Power (CSP) project in South Africa
- Investec Limited won the SERAS awards for the best company in affordable and clean energy
- Investec Limited was awarded an A- for the CDP 2016 climate scoring
- The UK's head office won their 10th Platinum Award for best practice in waste management
- The UK's head office won the inaugural Cleaner City Award run by the Cheapside Business Alliance
- The UK's head office won a Gold prize in the Green Apple Award for Environmental Best Practice
- The UK's head office Carbon Trust Waste Standard was recertified in 2016
- The UK's head office EMS (Energy Management System) was recertified to BSI Energy Reduction Verification Kitemark.

Profit

Financial strength and resilience:

Balanced and resilient business model.

- Our capital light activities contributed 56% to group income and capital intensive activities contributed 44% to group income.

23.0p | Dividends per share increased 9.5%

- Liquidity remains strong.

£12.0bn | Cash and near cash balances (2016: £11.0bn)
Representing approximately 41.4% of customer deposits

- Capital remained in excess of current regulatory requirements.

Governance:

- Strong culture and values to underpin our processes, functions and structures.

Recognition

- The Financial Times of London has recognised Investec Private Banking and Wealth & Investment as the best private bank and wealth manager in South Africa – for the fourth consecutive year – at the Global Private Banking Awards
- The Investec Managed Fund was awarded the special Raging Bull Award for risk-adjusted performance by a South African multi-asset equity fund over 21 years
- Investec won Best Distributor UK/Ireland at the 2017 European Structured Products & Derivatives Awards
- Investec was named 'Bank of the Year' at the 2016 Private Equity Awards
- Investec digital offering ranked 9th in the world in the Independent Wealth Service Survey
- SERAS awards – Best company in sustainability reporting
- Investec Wealth & Investment's Discretionary Fund Management (DFM) service was Gold rated by Defaqto in February 2016.

About the Investec group

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

Investec (comprising Investec plc and Investec Limited) is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

Who we are

Founded as a leasing company in Johannesburg in 1974.

We acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.

In July 2002, we created a dual listed companies structure (DLC) listed in London and Johannesburg.

A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions.

Today, we have an efficient integrated international business platform, offering all our core activities in the UK and South Africa.

Our philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

We value

Distinctive performance

- Outstanding talent – empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

Client focus

- Distinctive offering
- Leverage resources
- Break china for the client

Cast-iron integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Dedicated partnership

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

What we do

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia as well as certain other countries.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

The Investec distinction

Our strategic goals and objectives are based on our aspiration to be recognised as a distinctive specialist bank and asset manager

Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High level of service by being nimble, flexible and innovative.

Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

Strong culture

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

Our strategy

Our long-term strategy is to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Our long-term internationalisation strategy

- Follow our customer base
- Gain domestic competence and critical mass in our chosen geographies
- Facilitate cross-border transactions and flow.

We have a very deliberate and focused client strategy

- Leverage our unique client profile
- Provide the best integrated solution supported by our comprehensive digital offering.

Growing Asset Management in all regions

- Focusing on delivery of competitive investment performance
- Grow in Advisor channel and continue to scale Multi-Asset and Global Equities
- Focus on our large markets, especially North America

Growing the Specialist Banking business

- Building and developing our client franchises across all areas
- Improving the ROE in the business
- Implementing the UK Private Banking strategy

Relevant internationalisation of Wealth & Investment

- Digitalisation channel and launch of Click & Invest
- Creating an international operating platform

Other

- Continue investing in technology and people to maintain digital client experience
- Improving the cost to income ratio by focusing on operational efficiencies
- Diversity across the group and transformation in South Africa

Our diversified and balanced business model supporting long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well defined target clients:

Asset Management

Operating completely independently

Corporate/institutional/government

- Investment management services to external clients

Specialist Banking

- Lending
- Transactional banking
- Deposit raising activities
- Treasury and trading
- Advisory
- Investment activities

Wealth & Investment

Private client (high net worth/high income)/ charities/trusts

- Investment management services
- Independent financial planning advice

We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities.

This ensures that we are not over reliant on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.

Capital light activities

56%

Contributed to group income

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

Capital intensive activities

44%

Contributed to group income

- Lending portfolios
- Investment portfolios
- Trading income
  - client flows
  - balance sheet management

Fee and commission income ← **Types of income** → **Net interest, investment, associate and trading income**

Integrated client strategy

There are natural linkages within the private client businesses and between the private client and corporate banking businesses, which are all centred around the client.

- *Businesses*
- *Channel of choice*
- *Strong links*

Corporate

Corporate clients (directors, employees)
Private equity investments
Manufacturer of funds
Retail structured savings products

Corporate bankers

Private client businesses

Private Banking

Growth and creation of wealth

Banking
Property finance
Private capital
Retail

Wealth & Investment

Management and preservation of wealth

Wealth management
Portfolio management
Stockbroking

Private bankers | Digital | Global Client Support Centre | Investment managers

The digitalisation strategy integrates services across business and geography

During the financial year we have focused on driving digital engagement through:

- additional capabilities being added to our platforms
- a strong focus on learning initiatives with staff
- the formation of strong partnerships with the growing FinTech ecosystem.

Achieved to date		In progress
• Wealth & Investment UK added to Investec Online and the Investec App • Added Mauritius and Channel Islands (offshore banking) to Investec Online and the Investec App • Launched Digital Briefcase which includes self-service documents such as visa letters, stamped bank statements, etc • Private Bank Youth App (phone and tablet) launched February 2017 • International Payments added enabling outbound payments • Charity funding platform added • Revamped South African banking toolset	**One Place – global platform**	• Rebuild of corporate platform Investec Dotcom • Digital Advisor Phase 1- (Legacy management of wills and estates) • Investec Life to be launched in second half of 2017 • Additional Value Added Services (pre-paid electricity, etc.) • Enhanced mobile payments
• Added export capability for credit applications	**Personal portfolio**	• Self service financial management (budgets, cashflow forecasting)
• Tax Free Savings tool available	**South African online portfolio manager**	• Include unit trusts from Wealth & Investment and Investec Asset Management • Enhanced Tax Free saving investment capability
• Click & Invest in the UK launched to staff	**UK online portfolio manager**	• Full market launch of Click & Invest

Operating structure

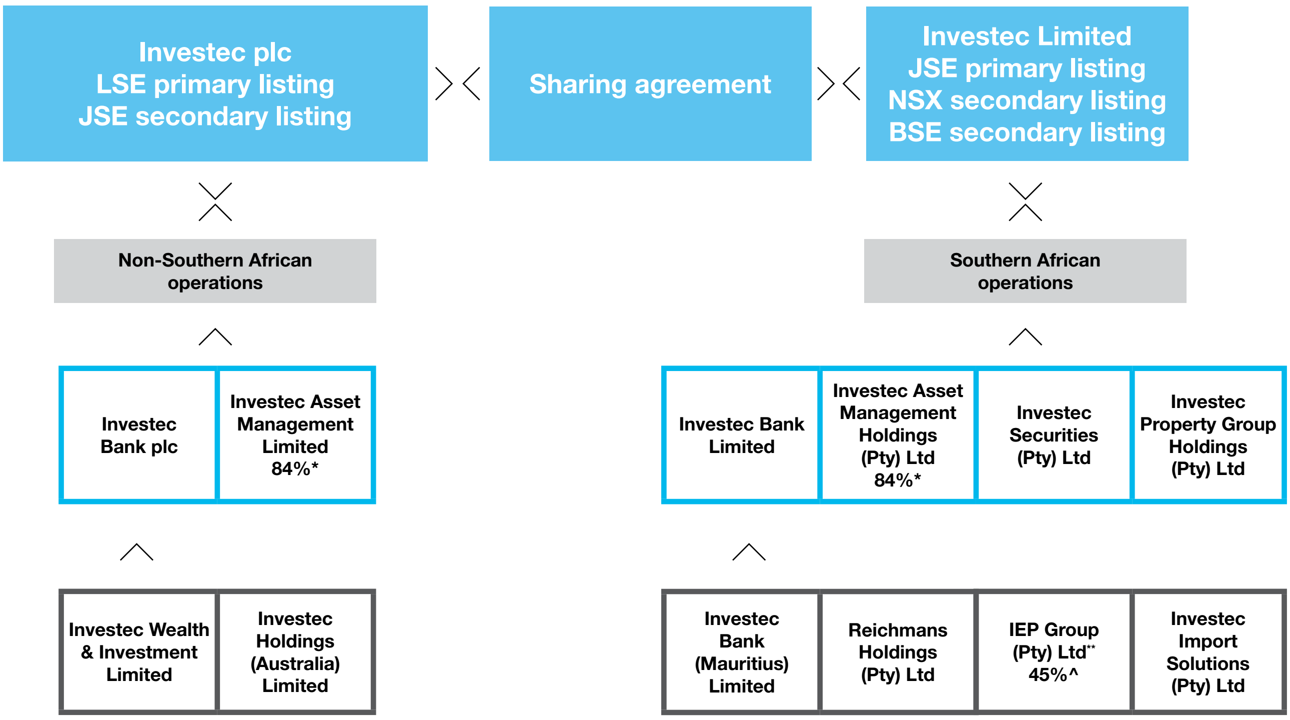
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

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

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

In terms of our DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses.

Our DLC structure and main operating subsidiaries as at 31 March 2017



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

* *16% held by senior management in the company (31 March 2016: 15%).*
** *Previously Investec Equity Partners (Pty) Ltd.*
^ *55% held by third party investors in the company together with senior management of the business.*

Salient features of the DLC structure

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

Our operational footprint

We have built a solid international platform, with diversified revenue streams and geographic diversity

Southern Africa

- Founded as a leasing company in 1974
- Acquired a banking licence in 1980
- Listed on the JSE Limited South Africa in 1986
- In 2003 we implemented a 25.1% empowerment shareholding transaction
- Market leading position in all three of our core activities
- Fifth largest bank in the country
- Offices supporting the Southern African businesses include Botswana; Cape Town; Durban; East London; Johannesburg; Knysna; Mauritius; Namibia; Pietermaritzburg; Port Elizabeth; Pretoria; and Stellenbosch.

Investec in total

Operating profit*	**£599.1mn**
Assets	**£53 535mn**
NAV**	**£3 426mn**
Permanent employees	**9 029**

COI^	ROE^
66.3%	**12.5%**

Operating profit* of the Southern African operations increased 16.0% to £374 million

£18.1bn Total **deposit book**

£14.1bn Total **core loans**

£53.4bn Total **funds under management**

As a % of the group

62.5%	Operating profit*
65.2%	Assets
55.3%	NAV**
56.5%	Permanent employees

Actual

51.9%	COI^
16.0%	ROE^

UK and Other

- In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London
- Since that date, we have expanded organically and through a number of strategic acquisitions
- Solid positioning in all three of our core activities
- Listed in London in July 2002 through the implementation of a dual listed companies structure
- Offices supporting the UK and Other businesses include Australia; Channel Islands; Hong Kong; India; Ireland; London; North America; Singapore; Switzerland; and Taiwan.

Operating profit* (statutory) of the UK operations increased 23.0% to £224.9 million

Operating profit* (ongoing) of the UK operations increased 10.8% to £289.5 million

£11.0bn

Total **deposit book**

£8.1bn

Total **core loans** (ongoing business)

£97.3bn

Total **funds under management**

As a % of the group

37.5%	Operating profit*
34.8%	Assets
44.7%	NAV**
43.5%	Permanent employees

Actual

77.0%	COI^
9.4%	ROE^
12.6%	ROE^ ongoing

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

** *NAV is tangible shareholders' equity as calculated on page 51.*

^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on pages 53 and 54.*

Our three distinct business activities are focused on well-defined target clients

Asset Management

Core client base and what we do

Operates independently from Investec's other businesses and its sole focus is the provision of investment management services to its predominantly global institutional client base

Market positioning

Total funds under management#
1991: £0.4 billion → 2017: £95.3 billion
Good long-term investment performance with growing traction in our distribution channels

Wealth & Investment

Core client base and what we do

Provides investment management services and independent financial planning advice to private clients, charities and trusts

Market positioning

Total funds under management#
1997: £0.04 billion → 2017: £54.8 billion
UK: One of the top five players
SA: Largest player

Specialist Banking

Core client base and what we do

We offer a broad range of services from lending, transactional banking, treasury and trading, advisory and investment activities. These services are aimed at government, institutional, corporate and high net worth and high-income clients

Market positioning

Global core loan portfolio: £22.7 billion^^

- Corporate and other clients: £9.8 billion
- Private clients: £12.9 billion^^

Global deposit book: £29.1 billion

Operating profit* of Asset Management increased 22.3% to £164.8 million

£95.3bn

Total funds under management

As a % of group

27.5%	Operating profit*°
2.9%	NAV**
17.2%	Permanent employees

33.1%	operating margin
90.7%	ROE^

Operating profit* of Wealth & Investment increased 8.8% to £93.2 million

£32.9bn

Discretionary and annuity funds under management

£21.9bn

Non-discretionary and other funds under management

£54.8bn

Total funds under management

As a % of group

15.6%	Operating profit*°
1.7%	NAV**
17.7%	Permanent employees

25.9%	operating margin
35.7%	ROE^

Operating profit* (statutory) of Specialist Banking increased 17.8% to £389.8 million

Operating profit* (ongoing) of Specialist Banking increased 11.0% to £454.4 million

£29.1bn

Total deposit book

£22.7bn

Total core loans

65.0%	Operating profit*°
95.4%	NAV**
65.1%	Permanent employees

60.6%	COI^
12.8%	ROE^
15.3%	ROE ongoing^

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
** *NAV is tangible shareholders' equity as calculated on page 51.*
^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 55.*
^^ *Including legacy assets of £0.5 billion as explained on page 65.*
° *Contributions are larger than 100% due to group costs amounting to £48.8 million which are included in operating profit.*
Refer to page 57 for further detail on funds under management.

The solid growth in all the core earnings drivers for our three business areas is attributable to the investment made in our people, our infrastructure and our franchises

In the past year, we have successfully leveraged our ability to provide clients with a comprehensive international offering with strong client activity levels supporting underlying performance. Despite the unpredictable macro-economic environment, group revenue exceeded the £2 billion mark for the first time. Our long-term investment strategy and the progress made on our strategic initiatives give us confidence for the future.

Can you give us an overview of the group's performance for the financial year?

The group achieved an increase in statutory operating profit of 18.5% to £599.1 million (2016: £505.6 million), an 8.0% increase on a currency neutral basis. Adjusted EPS increased 16.9% from 41.3 pence to 48.3 pence, a 6.3% increase on a currency neutral basis. Distributions to shareholders increased to 23.0 pence (2016: 21.0 pence) resulting in a dividend cover of 2.1 times (2016: 2.0 times).

The total legacy portfolio reduced from £583 million to £476 million through asset sales, redemptions and write-offs. This resulted in a loss before taxation on the legacy business of £64.6 million (2016: £78.3 million) with impairments on the legacy portfolio reducing 20.3% from £68.1 million to £54.3 million.

The ongoing business delivered a sound performance with operating profit up 13.7% to £663.7 million (2016: £583.9 million). This is a 4.2% increase on a currency neutral basis.

Our geographic mix and diversity of revenue streams continued to support the sound balance of earnings generated between capital light businesses and capital intensive businesses. There was continued growth in key earnings' drivers with third party assets under management up 14.8% to £150.7 billion on a currency neutral basis. The key banking earnings' drivers also enjoyed positive growth with ongoing core loans and advances up 8.5% to £22.2 billion and customer deposits up 5.5% to £29.1 billion, both on a currency neutral basis.

This supported growth in total ongoing operating income before impairment losses of 18.1% to £2 285.9 million (2016: £1 934.8 million with the percentage of recurring income stable at 72.0% of total operating income (2016: 71.8%). The cost to income ratio remained at 65.8% (2016: 65.8%) despite total operating costs growing by 18.1% to £1 502.6 million (2016: £1 272.1 million) as a result of planned investment spend across the business.

How did the operating environment support performance?

Despite increased uncertainty due to political developments, there was a mild acceleration in global economic growth. Advanced economies generally benefited from resilient domestic demand and emerging markets gradually recovered as a result of a pick-up in global demand and higher commodity prices.

The UK economy remained surprisingly resilient despite the UK Brexit vote and the consequent cautionary measures taken. This resilience started to fade towards the end of the financial year with GDP growth slowing to an annual low as consumers started to feel the effects of weak wage growth and higher inflation.

The economic environment in South Africa remained weak with domestic growth of just 0.3% and South African equities ending flat on the year. In reality it was a fairly difficult year, particularly from a political perspective. The positive sentiment towards emerging markets together with the turn in the commodity cycle supported the value of the Rand. However, the cabinet reshuffle towards the end of the financial year which resulted in the appointment of a new Finance Minister triggered downgrades from both Standard and Poor's and Fitch rating agencies. This will impact both consumer and business confidence in the coming financial year. Nevertheless, South Africa has a robust civil society, a vocal business sector and a financial sector which remains resilient. We are hopeful that the united front of opposition parties and labour together with the collaboration between government and business will result in the inclusive growth that the country desperately requires.

How did the three core areas of activity perform on an ongoing basis?

There was a consistent contribution from all business activities during the period under review with Asset Management and Wealth & Investment contributing a combined 38.8% to group operating profit on an ongoing basis.

Asset Management

Operating profit in Asset Management increased by 22.3% to £164.8 million (2016: £134.8 million) benefiting from higher average funds under management largely driven by favourable market and currency movements. Total funds under management amount to £95.3 billion (31 March 2016: £75.7 billion). Operating margin was slightly up from 32.0% to 33.1% with operating income increasing and operating costs impacted by currency fluctuations. It was pleasing to note the resurgence in the African business with net inflows of £1.4 billion for the year.

While we are cautious about the outlook for financial asset prices and the prevailing challenges in the industry remain, management are confident in the long-term investment approach. The focus for the next year is on growing the Advisor business globally, strengthening our position in North America and continuing to scale Multi-Asset and Global Equities with our clients always remaining at the centre of our strategy.

Wealth & Investment

Wealth & Investment experienced a solid overall performance with operating profit increasing 8.8% to £93.2 million (2016: £85.7 million). The business benefited from higher average funds under management supported by higher equity market levels and net inflows of £1.2 billion. Total funds under management amounted to £54.8 billion (31 March 2016: £45.5 billion). Operating margin was slightly down from 26.4% to 25.9% as we continued to invest in digital platforms, IT infrastructure and compliance.

The operating profit for the South African business was up 10.5% in Rands due to increased discretionary and annuity funds under management and net inflows. As a result of our international capabilities, we were able to enhance the One Place offering to service our South African clients' international needs during a turbulent period for investors.

Operating profit for the UK and Other business was up 3.3%, benefiting from the growth in average funds under management and supported by a higher level of market indices. The development of our digital channel, Click & Invest, has made good progress and we expect to launch this service in the first half of the new financial year.

We continue to invest in the development of our digital offering, in our international platform and in ensuring we have a robust and well-resourced global investment process and research capability. We continue to service the ever expanding global investment needs of our private clients and secure the long-term sustainability of the business.

Specialist Banking

The ongoing business of Specialist Banking increased operating profit by 11.0% to £454.4 million (2016: £409.2 million).

The UK and Other businesses reported an 8.2% increase in operating profit supported by robust levels of corporate client activity across the lending, advisory and client flow trading businesses. The investment banking and advisory business had a record year and the aviation business completed a number of significant transactions. The change in target market for the Private Bank is starting to see some progress and a Private Capital business was established during the year to focus on investment banking for individuals as a complementary offering. Costs grew ahead of revenue largely due to the investment in developing the private client banking offering and we expect this investment to be completed in the 2018 financial year. Costs were also impacted by the double premises expense relating to the London head office move planned for 2018. Looking forward, our focus remains on building scale, growing the client base, expanding the funds and investment product business and ensuring ongoing high levels of service to existing clients across our offerings.

The South African business reported a decrease in operating profit in Rands of 3.3% as a result of the change in accounting treatment of the assets transferred to the IEP group in the prior year. Operating profit, excluding the impact of this transaction, was considerably ahead of the prior year with continued growth in the Private Banking client base, sound corporate activity and an increase in the scale of the property fund business. We continue to benefit from the collaboration between the Private Bank and Wealth & Investment businesses, with international recognition from the Financial Times as the Best Private Bank and Wealth Manager in South Africa for the fourth year in a row. At the start of the new financial year, client activity across lending and treasury products remains reasonable and we continue to focus on client acquisition, evolving the digital offering, leveraging our international capabilities and maintaining operational efficiencies across all businesses. We are also excited about the launch of Investec Life which will take place later in the 2017 calendar year and is expected to further enhance our client value proposition.

Can you give us a summary of the year in review from a risk perspective?

Our executive management are integrally involved in ensuring stringent management of risk, liquidity, capital and conduct. The primary aim is to achieve a suitable balance between risk and reward in our business, particularly in the context of prevailing market conditions and group strategy. Although the macro-economic environment continues to present challenges, the group was able to maintain sound asset performance and risk metrics throughout the year in review.

Growth in the core loan book was moderate in home currencies, reflecting an increase of 8.4% in South Africa, and 6.6% in the UK. This growth was diversified across select target markets with loan to values at conservative levels and asset margins broadly in line with the prior year. Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short to medium term.

The ongoing credit loss ratio remains at the lower end of our long-term average trend of 30bps to 40bps in both South Africa and the UK. Our loan books remain well diversified although we could see a moderate increase in impairments given prevailing market conditions. We continue to stress our loan books against a number of macro-economic scenarios, and manage these risks accordingly.

We continue to maintain healthy capital and leverage ratios and ensure we have a high level of readily available, high quality liquid assets. The group has always held capital in excess of regulatory requirements and all our banking subsidiaries meet current internal targets for total capital adequacy. Capital continued to grow and credit growth is comfortably in line with our risk appetite framework and supported by sound risk metrics. In the UK, we conservatively increased our liquidity levels in anticipation of the Brexit referendum in June 2016. We then managed this down in the second half of the year through a combination of asset growth and liability management to achieve largely normalised balance sheet liquidity levels by the year-end. In South Africa, surplus cash balances were maintained at high levels given the volatility in the markets.

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. Financial crime and cybercrime remain high priorities and we continually aim to strengthen our systems and controls in order to manage cyber risk. We are also focused on combating money laundering, as well as preventing bribery and corruption in order to ensure the safety of our clients' wealth and to meet our regulatory obligations.

What have been the key areas of focus for the board of directors?

The board has focused on a range of issues over the past year but diversity remains a key focal area for the board and the group as a whole.

We affirmed our strategy and investment in our UK private client offering and digitalisation projects. We also supported managements' efforts in increasing returns for the group whilst remaining comfortably within our stated risk appetite targets.

Succession has been an ongoing focus area for the board and a significant amount of work has been done over the past two years. Formal succession appraisals for all key positions were completed and succession plans are in place to help ensure a smooth transition for the next generation of leaders. The group also spends a significant amount of resources on growing and developing an internal pool of talented and skilled leaders. We have several leadership programmes in place and to date 90 people have attended an external executive leadership programme at Harvard, INSEAD or equivalent leadership institution around the world.

The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. The board therefore undertakes an evaluation of its performance and that of its committees and individual directors annually, with independent external input into the process every third year. Given the 2016 effectiveness review was conducted by an independent facilitator, this year the board effectiveness review was internally facilitated. No material issues were identified in this process.

In addition to considering the composition of the board, the DLC nomination and directors' affairs committee (nomdac) keeps under review changes to the composition of the boards of its key subsidiaries. During the year, the nomdac appointed two new non-executive directors to the board of Investec Bank plc to further enhance the effectiveness and independence of that board. We would like to welcome Moni Mannings and Brian Stevenson to the Investec Bank plc board, they have extensive experience and we look forward to working with them. Furthermore, Investec Bank plc set up its own governance committee which works seamlessly with group governance committees.

We recognise the benefits of a diverse board being able to contribute alternative perspectives and challenge the status quo which is integral to the Investec culture. We are a member of the 30% Club in both South Africa and the UK demonstrating our commitment to increased female representation at the board level. We also recognise the need to create opportunities for talented individuals to move up through the organisation and have a number of diversity initiatives across the group to support this aim.

Looking forward, the board is confident with the group strategy and believes we have the appropriate leadership in place to execute on that strategy. The focus of the board will continue to be on both increasing diversity at all levels of the organisation as well as management succession.

How do you balance driving profits with corporate responsibility?

Investec helps to fund a stable and sustainable economy by providing capital and liquidity for social and economic development. We build sustainable businesses that contribute to macro-economic stability, society and the natural environment. We remain committed to transformation in South Africa as our country of inception enters a critical juncture in its history, with a dire need for job creation and sustainable inclusive economic growth. As part of the CEO Initiative, Investec group committed R20 million to the small and medium enterprises ('SME') fund with Investec Property Fund contributing a further R5 million to the fund which will provide high-potential entrepreneurs and enterprises with access to not only funds but also professional advice and mentorship. We see this as an important investment in the future of our country and the future of the group. Aligned with this commitment, Investec Limited retained its level 2 BEE rating from Empowerdex in terms of the current Financial Sector Code, improving on our total score from the previous year as a result of efforts to improve our employment equity status and a focus on preferential procurement.

Our responsibility to society starts with our own people and we depend on their experience and proficiency to perform and deliver superior client service. During the year we invested £22.9 million (2016: £14.7 million) on the learning and development of our people and Investec was recognised as the second most attractive employer in South Africa in the Universum Most Attractive Employer Awards. We continue to create a progressive and stimulating work environment and piloted Activity Based Working in the UK head office. This facilitates collaboration and knowledge sharing amongst colleagues and business areas and we expect to replicate this in our new 30 Gresham Street head office.

An integral part of our corporate responsibility programme is how we care for our communities. In the UK, we won the Business in the Community's Responsible Business Awards 2016 (Building Stronger Communities) for our flagship programme the Beyond Business social enterprise incubator which we run in partnership with the Bromley by Bow Centre. In South Africa, our flagship Promaths programme supports eight centres across the country and in the past year we established the Promaths bursary. Our staff continue to show the Investec caring spirit by volunteering to participate in our various corporate social investment programmes around the world and the volunteerism hours increased substantially across the group.

Our sustainability efforts continue to be recognised with Investec Limited now ranked as one of four industry leaders on the DJSI Emerging Markets index, and Investec plc one of 17 industry leaders on the DJSI World and DJSI Europe indices. Investec Limited maintained its inclusion in the Climate "A list" with an A- score in the 2016 Carbon Disclosure Project (CDP) which recognises efforts to mitigate climate change. Investec Limited also received the SERAS award for the most socially responsible company in Africa.

We remain active participants in the green economy contributing £1.8 billion to the renewable energy sector globally in the past year. In the US, Investec was recognised as the go-to funding source for the US roof-top solar industry and also won the IJ Global African Renewables deal 2016 Award for Kathu Solar Park in South Africa. This is the most meaningful way we can contribute to climate change and reduce the impact of our existence on the natural environment.

What is your strategic focus and outlook for the coming year?

Over the past year, we have made good progress in building our core franchises whist at the same time generating reasonable growth and value for our shareholders. We have a unique and vibrant culture with a strong leadership team who are motivated to build their businesses and improve the quality of earnings. Our businesses are focused on co-ordinating our service offerings and integrating IT systems to leverage our unique client profile. We have spent time proactively engaging with our stakeholders, investing in the learning and development of our people and providing support to our communities. Consequently, we believe we are well positioned to continue building a sustainable business that not only provides appropriate returns to shareholders but also contributes to macro-economic stability and social upliftment.

Our strategy for the coming year is to continue to focus on our revenue drivers which support our balanced business model. We will look to generate high quality income from diversified revenue streams, increase transactional activity and further grow our funds under management. We also continue to manage growth of our lending and customer deposits, remaining mindful of building capital light activities.

At the start of the new financial year, macro uncertainty persists globally and the political environment in the UK is still not clear which could impact activity levels going forward. Nevertheless, we believe that our strategic initiatives and the diversity of our business model place the group in a favourable position to continue to grow in our core markets, supporting performance and delivering on our promise to stakeholders.

On behalf of the boards of Investec plc and Investec Limited.

Fani Titi	**Stephen Koseff**	**Bernard Kantor**
Chairman	Chief executive officer	Managing director

(References to 'operating profit' in the text above relates to operating profit before taxation, goodwill, acquired intangibles, non-operating items and after other non-controlling interests.)

The operating financial review provides an overview of our strategic position, performance during the financial year and outlook for the business.

Introduction – understanding our results

Sale of businesses

During the 2015 financial year the group sold a number of businesses, namely Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited.

The sales of these businesses had a significant effect on the comparability of our financial statutory position and results, particularly in financial year 2015 and 2016.

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. The additional information presented on an ongoing basis excludes items that, in management's view, could distort the comparison of performance between periods (for both current and historical information).

Based on this principle, the following items are excluded from underlying statutory profit (for both current and historical information, where applicable) to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK (as set out on page 65).

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2016.

A reconciliation between the statutory and ongoing income statement is provided on page 59.

Exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of our individual companies are reported in the local currencies of the countries in which they are domiciled, including South African Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the year.

	31 March 2017		31 March 2016	
Currency per £1.00	**Year end**	**Average**	**Year end**	**Average**
South African Rand	16.77	18.42	21.13	20.72
Australian Dollar	1.64	1.75	1.87	2.04
Euro	1.17	1.19	1.26	1.37
US Dollar	1.25	1.31	1.44	1.50

Exchange rates between local currencies and Pounds Sterling have fluctuated over the year. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the year has appreciated by 11.1% and the closing rate has appreciated by 20.6% since 31 March 2016.

	Results in Pounds Sterling				
	Actual as reported Year to 31 March 2017	**Actual as reported Year to 31 March 2016**	**Actual as reported % change**	**Neutral currency^ Year to 31 March 2017**	**Neutral currency % change**
Operating profit before taxation* (million)	£599	£506	18.5%	£546	8.0%
Earnings attributable to shareholders (million)	£442	£368	20.1%	£401	8.8%
Adjusted earnings attributable to shareholders** (million)	£435	£360	20.8%	£395	9.9%
Adjusted earnings per share**	48.3p	41.3p	16.9%	43.9p	6.3%
Basic earnings per share	50.8p	38.5p	31.9%	46.4p	20.5%
Dividends per share	23.0p	21.0p	9.5%	n/a	n/a

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*
** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*
^ *For income statement items we have used the average Rand: Pounds Sterling exchange rate that was applied in the prior year, i.e. 20.72.*

	Results in Pounds Sterling				
	Actual as reported at 31 March 2017	Actual as reported at 31 March 2016	Actual as reported % change	Neutral currency^^ at 31 March 2017	Neutral currency % change
Net asset value per share	431.0p	352.3p	22.3%	395.0p	12.1%
Net tangible asset value per share	377.0p	294.3p	28.1%	341.6p	16.1%
Total equity (million)	£4 809	£3 859	24.6%	£4 252	10.2%
Total assets (million)	£53 535	£45 352	18.0%	£46 338	2.2%
Core loans and advances (million)	£22 707	£18 119	25.3%	£19 501	7.6%
Cash and near cash balances (million)	£12 038	£10 962	9.8%	£10 591	(3.4%)
Customer deposits (million)	£29 109	£24 044	21.1%	£25 376	5.5%
Third party assets under management (million)	£150 735	£121 683	23.9%	£139 664	14.8%

^^ *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2016.*

The following table provides a comparison of the group's results as reported in Pounds Sterling and the group's results as translated into Rands.

	Results in Pounds Sterling			Results in Rands		
	Year to 31 March 2017	Year to 31 March 2016	% change	Year to 31 March 2017	Year to 31 March 2016	% change
Operating profit before taxation* (million)	£599	£506	18.5%	R10 885	R10 494	3.7%
Earnings attributable to shareholders (million)	£442	£368	20.1%	R8 025	R7 635	5.1%
Adjusted earnings attributable to shareholders** (million)	£435	£360	20.8%	R7 880	R7 459	5.7%
Adjusted earnings per share**	48.3p	41.3p	16.9%	875c	857c	2.1%
Basic earnings per share	50.8p	38.5p	31.9%	920c	798c	15.3%
Headline earnings per share	48.2p	38.5p	25.2%	872c	796c	9.5%
Dividends per share	23.0p	21.0p	9.5%	403c	473c	(14.8%)
	At 31 March 2017	**At 31 March 2016**	**% change**	**At 31 March 2017**	**At 31 March 2016**	**% change**
Net asset value per share	431.0p	352.3p	22.3%	7 228c	7 444c	(2.9%)
Net tangible asset value per share	377.0p	294.3p	28.1%	6 322c	6 218c	1.7%
Total equity (million)	£4 809	£3 859	24.6%	R80 638	R81 543	(1.1%)
Total assets (million)	£53 535	£45 352	18.0%	R897 749	R958 221	(6.3%)
Core loans and advances (million)	£22 707	£18 119	25.3%	R380 786	R382 826	(0.5%)
Cash and near cash balances (million)	£12 038	£10 962	9.8%	R201 877	R231 616	(12.8%)
Customer deposits (million)	£29 109	£24 044	21.1%	R488 149	R508 024	(3.9%)
Third party assets under management (million)	£150 735	£121 683	23.9%	R2 527 826	R2 571 141	(1.7%)

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*
** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

Ten-year review

Salient features*

For the year ended 31 March	2017	2016	% change 2017 vs 2016
Income statement and selected returns			
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)ø	599 121	505 593	18.5%
Operating profit: Southern Africa (% of total)ø	62.5%	63.8%	
Operating profit: UK and Other (% of total)ø	37.5%	36.2%	
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	434 504	359 732	20.8%
Headline earnings (£'000)	434 425	334 720	29.8%
Cost to income ratio	66.3%	66.4%	
Staff compensation to operating income ratio	47.2	47.0%	
Return on average adjusted shareholders' equity (post-tax)	12.5	11.5%	
Return on average adjusted tangible shareholders' equity (post-tax)	14.5%	13.7%	
Return on average risk-weighted assets	1.45%	1.34%	
Return on average assets (excluding assurance assets)	1.02%	0.93%	
Operating profit per employee (£'000)	64.1	58.7	9.2%
Net interest income as a % of operating income	29.7%	29.6%	
Non-interest income as a % of operating income	70.3%	70.4%	
Recurring income as a % of total operating income	72.0%	71.7%	
Effective operational tax rate	18.5%	19.1%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	6 221	4 994	24.4%
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 809	3 859	24.6%
Shareholders' equity (excluding non-controlling interests) (£'million)	4 131	3 360	22.9%
Total assets (£'million)	53 535	45 352	18.0%
Net core loans and advances to customers (£'million)	22 707	18 119	25.3%
Core loans and advances to customers as a % of total assets	42.4%	40.0%	
Cash and near cash balances (£'million)	12 038	10 962	9.8%
Customer accounts (deposits) (£'million)	29 109	24 044	21.1%
Third party assets under management (£'million)	150 735	121 683	23.9%
Capital adequacy ratio: Investec plcº	15.1%	15.1%	
Capital adequacy tier 1 ratio: Investec plcº	11.5%	10.7%	
Common equity tier 1 ratio: Investec plc^^º	11.3%	9.7%	
Leverage ratio: Investec plc – current^^º	7.8%	7.0%	
Capital adequacy ratio: Investec Limitedº	14.1%	14.0%	
Capital adequacy tier 1 ratio: Investec Limitedº	10.7%	10.7%	
Common equity tier 1 ratio: Investec Limited^^º	9.9%	9.6%	
Leverage ratio: Investec Limited – current^^º	7.3%	6.9%	
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.54%	0.62%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	1.22%	1.54%	
Gearing ratio (assets excluding assurance assets to total equity)	9.5x	10.2x	
Core loans to equity ratio	4.7x	4.7x	
Loans and advances to customers: customer deposits	76.2%	73.6%	
Salient financial features and key statistics			
Adjusted earnings per share (pence)#	48.3	41.3	16.9%
Headline earnings per share (pence)#	48.2	38.5	25.2%
Basic earnings per share (pence)#	50.5	38.5	31.9%
Diluted earnings per share (pence)#	48.8	36.7	33.0%
Dividends per share (pence)#	23.0	21.0	9.5%
Dividend cover (times)	2.1	2.0	5.0%
Net asset value per share (pence)#	431.0	352.3	22.3%
Net tangible asset value per share (pence)#	377.0	294.3	28.1%
Weighted number of ordinary shares in issue (million)#	900.4	870.5	3.4%
Total number of shares in issue (million)#	958.3	908.8	5.4%
Closing share price (pence)#	544	513	6.0%
Market capitalisation (£'million)	5 213	4 662	11.8%
Number of employees in the group (including temps and contractors)	9 716	8 966	8.4%
Closing ZAR:£ exchange rate	16.77	21.13	20.6%
Average ZAR:£ exchange rate	18.42	20.72	11.1%

* *Refer to definitions on page 203.*
^^ *The group's expected Basel III 'fully loaded' numbers are provided on page 52.*
º *Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.*
ø *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
^ *Calculation not comparable.*

2015	2014	2013	2012	2011	2010	2009	2008
493 157	450 676	426 278	358 625	434 406	432 258	396 766	508 717
70.8%	66.0%	67.5%	80.7%	69.1%	67.2%	74.0%	66.7%
29.2%	34.0%	32.5%	19.3%	30.9%	32.8%	26.0%	33.3%
339 532	326 923	309 310	257 579	327 897	309 710	269 215	344 695
308 770	291 561	265 227	217 253	286 659	275 131	261 627	301 499
67.6%	67.6%	65.7%	64.7%	61.7%	57.8%	55.9%	56.1%
47.4%	46.3%	43.9%	43.0%	40.7%	36.1%	34.9%	37.2%
10.6%	10.0%	9.4%	7.8%	11.2%	13.5%	14.8%	23.6%
12.7%	12.3%	11.7%	9.6%	13.2%	15.4%	17.4%	28.6%
1.25%	1.14%	1.06%	0.91%	1.23%	1.33%	1.36%	^
0.86%	0.75%	0.67%	0.57%	0.76%	0.83%	0.84%	1.31%
59.7	54.9	53.5	47.8	64.4	69.7	62.6	84.4
32.4%	33.6%	35.2%	36.2%	34.9%	37.0%	46.6%	39.3%
67.6%	66.4%	64.8%	63.8%	65.1%	63.0%	53.4%	60.7%
74.2%	70.7%	68.6%	67.7%	62.3%	60.4%	70.0%	65.1%
19.6%	17.1%	18.4%	18.1%	15.5%	20.6%	21.1%	22.6%
5 219	5 355	5 693	5 505	5 249	4 362	3 762	3 275
4 040	4 016	3 942	4 013	3 961	3 292	2 621	2 210
3 501	3 572	3 661	3 716	3 648	2 955	2 297	1 911
44 353	47 142	52 010	51 550	50 941	46 572	37 365	34 224
17 189	17 157	18 415	18 226	18 758	17 891	16 227	12 854
38.8%	36.4%	35.4%	35.4%	36.8%	38.4%	43.4%	37.7%
9 975	9 136	9 828	10 251	9 319	9 117	4 866	5 028
22 615	22 610	24 461	25 344	24 441	21 934	14 573	12 133
124 106	109 189	110 678	96 776	88 878	74 081	48 828	52 749
16.7%	15.3%	16.7%	17.5%	16.8%	15.9%	16.2%	15.3%
11.9%	10.5%	11.0%	11.6%	11.6%	11.3%	10.1%	9.2%
10.2%	8.8%	8.8%	9.3%				
7.7%	7.4%						
14.7%	14.9%	15.5%	16.1%	15.9%	15.6%	14.2%	13.9%
11.3%	11.0%	10.8%	11.6%	11.9%	12.0%	10.8%	10.0%
9.6%	9.4%	8.9%	9.3%				
8.1%	7.8%						
0.68%	0.68%	0.84%	1.12%	1.27%	1.16%	1.08%	0.51%
2.07%	2.30%	2.73%	3.31%	4.66%	3.98%	3.28%	1.29%
9.4x	10.3x	11.6x	11.3x	11.3x	12.5x	13.0x	13.8x
4.3x	4.3x	4.7x	4.5x	4.7x	5.4x	6.2x	5.8x
74.0%	72.0%	71.5%	67.8x	72.4%	76.2%	103.6%	98.4%
39.4	37.9	36.1	31.8	43.2	45.1	42.4	56.9
35.8	33.8	31.0	26.8	37.7	40.1	41.2	49.7
24.4	34.3	31.7	25.7	49.7	44.0	38.5	57.7
23.1	32.3	29.8	24.3	46.7	41.5	36.1	54.0
20.0	19.0	18.0	17.0	17.0	16.0	13.0	25.0
2.0	2.0	2.0	1.9	2.5	2.8	3.3	2.3
364.9	376.0	384.2	392.0	416.0	364.0	308.8	260.6
308.1	309.0	310.9	317.0	343.8	324.1	266.3	215.0
862.7	862.6	856.0	809.6	759.8	686.3	634.6	606.2
899.4	891.7	884.8	874.0	810.0	741.0	713.2	657.6
561	485	459	382	478	539	292	339
5 045	4 325	4 061	3 340	3 872	3 993	2 083	2 229
8 254	8 258	8 151	7 781	7 237	6 123	5 951	6 333
17.97	17.56	13.96	12.27	10.88	11.11	13.58	16.17
17.82	16.12	13.44	11.85	11.16	12.38	14.83	14.31

Financial review

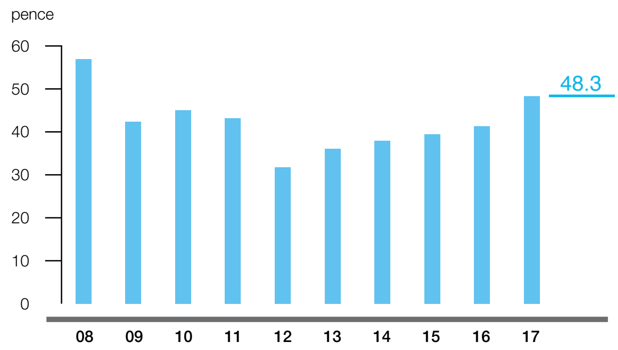
(continued)

Track record

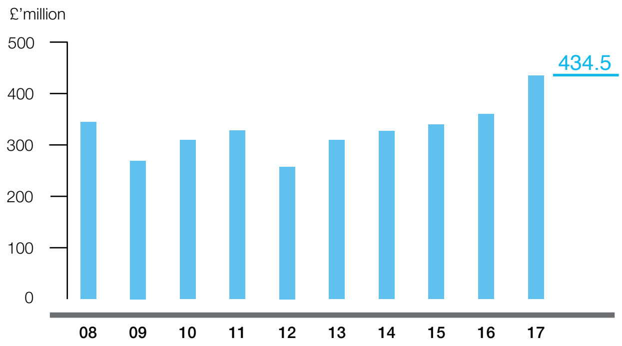
Up 16.9% to 48.3 pence

Up 20.8% to £434.5 million

Adjusted earnings per share



Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items



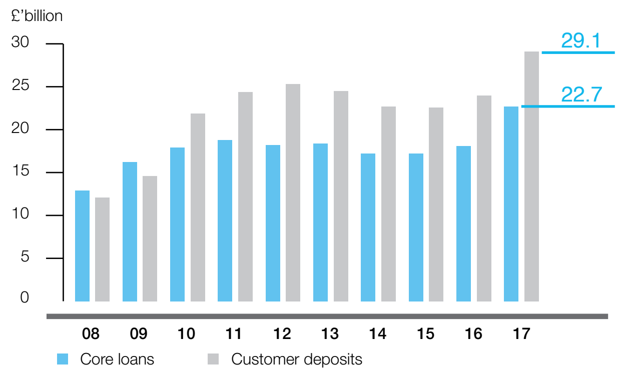
Core loans: up 25.3% to £22.7 billion since 31 March 2016 – an increase of 7.6% on a currency neutral basis*

Deposits: up 21.1% to £29.1 billion since 31 March 2016 – an increase of 5.5% on a currency neutral basis*

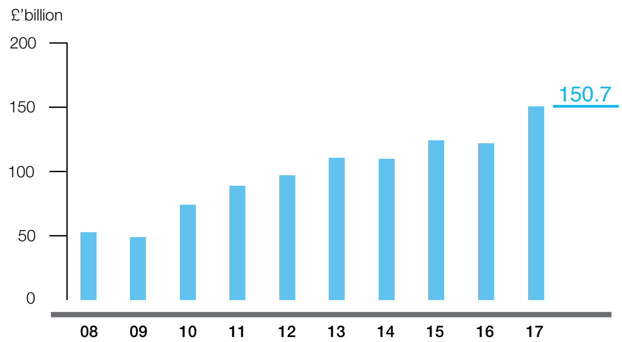
Up 23.9% to £150.7 billion since 31 March 2016 – an increase of 14.8% on a currency neutral basis*

Net inflows of £0.7 billion

Core loans and customer deposits



Third-party assets under management



* *Currency neutral basis: calculation assumes that the group's relevant closing exchange rates at 31 March 2017, as reflected on page 26, remain the same as those at 31 March 2016.*

Financial targets

Target

We have set the following target over the medium to long term:

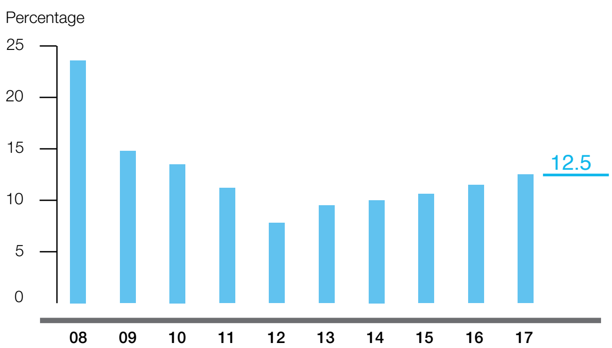
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

Target

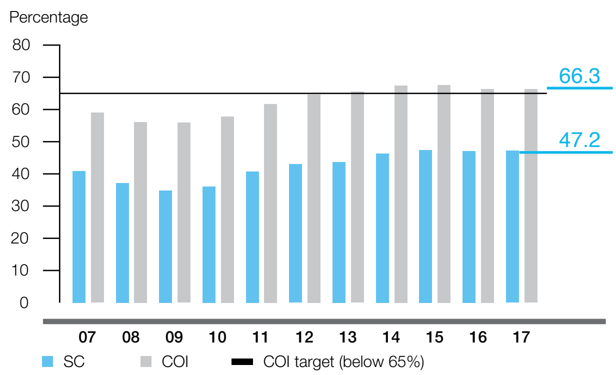
We have set the following target over the medium to long term:

Group COI ratio: less than 65% in Pounds Sterling

ROE*



Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



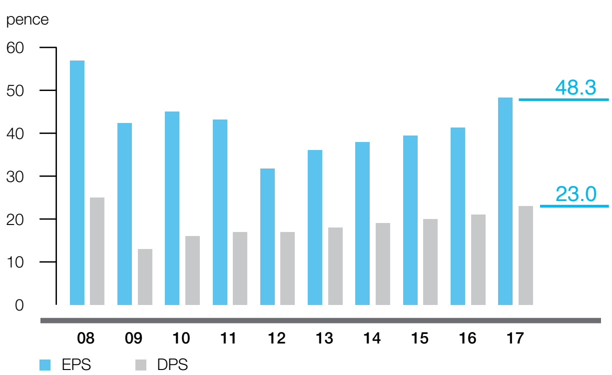
Target

In the medium to long term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined above, denominated in Pounds Sterling

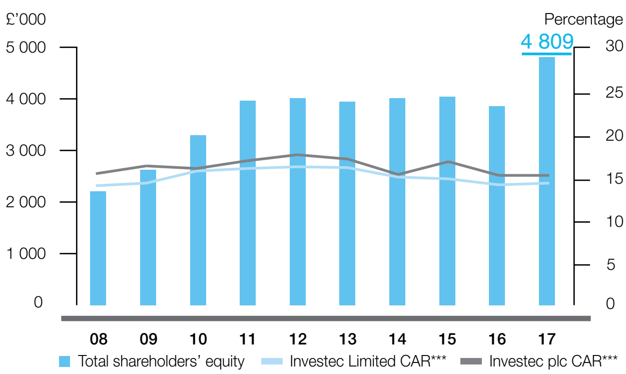
Target

We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long term. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited, and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0%

Adjusted earnings per share (EPS) and dividends per share (DPS)



Total shareholders' equity and capital adequacy ratios (CAR)



* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 53.*

*** *Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.*

Note:
The numbers shown in the financial targets graphs on this page are for the years ended 31 March, unless otherwise stated.

An overview of the operating environment impacting our business

South Africa

Our views

The mild acceleration in global economic growth evidenced over 2016, as key advanced and emerging market economies improved somewhat, along with some strained low-income economies, has been positive for South Africa. The downward trend in domestic growth since 2010 likely bottomed last year, at 0.3% year-on-year, and 2017 is expected to see global growth gain traction modestly, with South Africa's economic performance expected to lift towards 1.0% year-on-year.

0.3%	1.3%
2016/17 Economic growth	2015/16 Economic growth

2017	2016
R55 827	R56 449

GDP per capita has fallen

The commodity cycle too is expected to have troughed in 2016, which along with positive sentiment towards emerging market assets, has strengthened the Rand. The severe drought has largely come to an end, and in combination with Rand strength, is expected to moderate inflation somewhat going forward. However, a cabinet reshuffle at the end of the financial year saw a new Finance Minister appointed, with downgrades on South Africa's hard currency debt ratings to sub-investment grade, from Standard and Poor's and Fitch, following on.

On a fundamental basis, South Africa revealed its institutional soundness over the past year in the ratings from the World Economic Forum's (WEF) Global Competitiveness Survey, particularly in its financial market development, where it is ranked eleventh in the world. The soundness of its banks and ability of its financial services to meet business needs are ranked second globally, the regulation of its securities exchanges third. Institutionally, South Africa has a ranking of fortieth out of the one hundred and thirty eight countries surveyed, first on both the strength of auditing and reporting standards and the protection of minority shareholders interests, and third on the efficacy of its corporate boards. The efficiency of South Africa's legal system in settling disputes and challenging regulations is respectively ninth and tenth in the world, while the strength of investor protection is fourteenth. However, the WEF's global survey shows that the perceived high cost of the wastefulness of government spending and diversion of public funds, favouritism in decisions of government officials and public distrust in politicians, along with the burden of government regulation and cost to business of crime and violence, hold South Africa back from a better institutional ranking.

Fiscal consolidation is key, and South Africa will need to ensure this, particularly a stabilisation in public sector debt as a percentage of GDP, to avoid further local currency credit rating downgrades to sub-investment grade. Such fiscal sustainability is vital; not least to ensure the sustainability of the social grant and broader social welfare system for the majority of South Africans, as well as ensuring lower borrowing costs, and the avoidance of a debt trap.

Despite notable progress in some areas, structural constraints continue to limit the productivity needed for sustained, fast economic growth domestically.

United Kingdom

GDP grew by 0.5% and 0.7% in the third and fourth quarters of 2016, respectively. That helped the unemployment rate fall to 4.7% in January and held there in February, the lowest level seen since 2005.

Our views

The UK economy has remained surprisingly resilient.

2.0%	1.9%
2016/17 Economic growth	2015/16 Economic growth

2017	2016
£29 580	£28 768

GDP per capita has risen

This fiscal year saw the UK vote to leave the European Union. Since the shock result of the 23 June 2016 referendum, it has become increasingly clear that, as part of Brexit, the British government will relinquish the UK's membership of the EU Single Market in exchange for powers to tighten immigration rules. But it remains unclear what Brexit will actually look like – the government only gave formal notice of its intention to leave the EU (by triggering Article 50 of the Lisbon Treaty) on 29 March 2017. The triggering of Article 50 begins a two-year negotiation period, at the end of which time the UK will have formally left the EU. We think that a bilateral UK/EU free trade deal is achievable, but it will take several years to negotiate. We therefore suspect that the UK will enter some sort of transitional arrangement between March 2019 and the point at which a longer term deal is finalised.

From a market perspective, there were two notable reactions to the Brexit vote. First, the Pound fell sharply and, by the end of the financial year, sat more than 15% below pre-referendum levels, in trade weighted terms. Second, the Bank of England (BoE) cut the Bank Rate from 0.50% to 0.25% in August 2016 in order to guard against a post-referendum economic slowdown. In addition the BoE also undertook additional purchases of government bonds as part of its Quantitative Easing (QE) programme, and began a programme of corporate bond purchases.

But in spite of these cautionary responses to the Brexit vote, the UK economy has remained surprisingly resilient. By and large, households and businesses shrugged off the uncertainty associated with the UK's new economic relationship with the rest of Europe.

Towards the end of the year, though, economic momentum appeared to have slowed. The main reason is that weakness in the Pound was beginning to push up on import prices and broader consumer price inflation. The rate of CPI inflation rose above the BoE's 2% target in February 2017, with further increases in prospect. There is evidence that higher inflation was beginning to drag on household spending while underlying levels of uncertainty probably weighed somewhat on business investment. Granted, the weaker Pound provided a competitiveness boost to exporters, but that might not be enough to offset the headwinds to household and business spending. A (mild) slowdown in economic growth could in turn lead to a marginally higher unemployment rate and a somewhat slower pace of house price growth. All told, this points to a somewhat more challenging economic environment in prospect.

The 8 June 2017 General Election saw the Conservative Party fail to recapture its overall majority. While there may be agreements made with other parties, the government's effective majority would be small and there remains uncertainty over how any partnerships would play out.

An overview of the operating environment impacting our business *(continued)*

Australia

Our views

The Australian economy expanded by 2.5% in 2016.

The pace of growth, however, was far from steady throughout the year, with the economy actually recording a period of contraction in the third quarter, with output falling by 0.5%, the first quarterly drop in output since March 2011 and only the fourth in 25 years. Australia managed to escape a technical recession, however, with the economy bouncing back robustly in the final quarter of the year, expanding by 1.1% quarter on quarter. The recovery was driven by a surge in exports in the fourth quarter of 2016 as commodity exports picked up robustly and as commodity prices firmed.

The unemployment rate has held relatively steady over the past year, holding in a range of 5.6% to 5.9% according to the fiscal year-to-date numbers published so far; the most recent reading, for March 2017, stood at the upper end of this range at 5.9%. Inflation has remained relatively subdued through this period with CPI inflation reaching a low of 1.0% in the second quarter of 2016 and ending 2016 at 1.5% year-over-year, whilst core inflation has also been subdued.

In light of this and reflecting headwinds to growth in the early part of the fiscal year, the Reserve Bank of Australia cut the official policy rate (cash rate) to a new record low, from 2.00% to 1.75% in April 2016 and again to 1.50% in August 2016. The cash rate has remained at these levels since then. Australia has maintained its triple-A rating with all of the major rating agencies during the period. However, Standard and Poor's has Australia's sovereign rating on a negative rating outlook, given its pessimism over the government's ability to close existing budget deficits.

United States

Our views

The US economy expanded by 1.6% in calendar year 2016, the softest pace of growth since 2011.

One major drag was the weak investment backdrop which suffered in part following falls in oil prices; this story looks set to reverse somewhat and provide a foot-up to growth in 2017 with oil investment already showing signs of improvement.

Household consumption remained more robust, reflecting the improvements in the US labour market through the course of 2016. The US unemployment rate fell from 5.0% in April 2016 to stand at 4.5% in March 2017 and is now consistent with 'longer-term' unemployment rates as defined by the US Federal Reserve, whilst wage growth has also firmed.

The major political event of 2016 was of course Donald Trump's November 2016 election victory which led to a pick-up in business and consumer confidence on hopes of promised tax cuts and significant infrastructure spending. Since being sworn in as President on 20 January 2017, President Trump has rubbed up against congressional restraints which have delayed him enacting these changes quickly, but overall the President is still likely to enact a fiscally supportive policy mix which is likely to be positive, on balance, for 2017 growth and more so in 2018.

Following more than seven years of record low interest rates, the Federal Reserve began tightening policy in December 2015 and enacted two subsequent hikes in interest rates in December 2016 and March 2017. Those policy moves took the federal funds rate to 0.75% to 1.00% at the end of the financial year, from a 0.25% to 0.50% starting point. Further policy tightening over the forthcoming period will be driven by the evolution of the economy and inflation, tied in part to the delivery of Presidents Trump's economic plans. The Federal Reserve's current policy guidance points to the prospect of two further federal funds hikes in calendar year 2017. Note that inflation remained below the Federal Reserve's 2% goal for almost all of 2016, though it moved above it in the early part of 2017, reflecting the dissipating drag of past falls in energy prices.

Eurozone

Our views

The fiscal year has seen the Euro area economic backdrop improve on several fronts and most notably with a decline in deflationary risks.

In April 2016 headline HICP inflation stood at -0.2%, a considerable distance below the ECB's price stability target of 'below, but close to 2%'. However, much of this decline in inflation was due to a fall in wholesale energy prices. Those effects have started to fade and as such headline inflation has recovered somewhat; in March 2017 HICP inflation stood at 1.5%.

The economy continued to experience a gradual recovery over the year, with quarter four 2016 registering the 15th consecutive quarter of positive growth. As the fiscal year drew to a close there were further positive economic signs with the most recent economic indicators pointing to a firming in the pace of economic activity. Other economic highlights of the fiscal year included a 2.5 million drop in unemployment, as the unemployment rate fell to 9.5% in February 2017, its lowest level since May 2009. The availability of credit, as well as lending growth also witnessed improvements during the year.

Despite the gradual improvement in the economic backdrop, European Central Bank (ECB) policy has remained ultra-loose, in part due to the continued subdued nature of 'core' CPI inflation, which averaged just +0.8% across the fiscal year. ECB policy rates remained at record low levels throughout the period, with the main refinancing rate held at 0.00% and the deposit rate at -0.40%. December 2016 saw the ECB announce an extension of its asset purchase programme. From April 2017 the ECB will continue to purchase sovereign and other debt instruments until December 2017, but at the slower pace of €60 billion per month rather than the previous pace of €80 billion per month.

Away from the economy, political risks became more evident towards the end of the under review year as elections loomed in a number of major Euro area economies. However, March's Dutch election result provided some reassurance as the populist anti-EU candidate failed to gain the foothold some had feared. Moreover in early May 2017, centrist Emmanuel Macron was elected President of France, convincingly defeating far-right candidate Marine Le Pen in the second round of voting. Elections to Germany's Bundestag are set to take place in September 2017.

An overview of the operating environment impacting our business *(continued)*

Global stock markets

Our views

Global equity markets faced a number of key risk events over the year, with the UK's referendum on leaving the EU and the US election of particular note. Despite these events and some intervening volatility at times, global equity markets enjoyed a buoyant year.

Amongst the highlights, the S&P500 gained 14.7% over the fiscal year reaching an all-time record of 2396 in February, meanwhile the MSCI world index added 12.5% and the Euro Stoxx 50 rose by 16.5%.

The UK electorate's vote to leave the European Union on 23 June 2016 initially shocked markets, with UK and global equity indices witnessing significant falls the morning following the referendum. However, equity market weakness proved short-lived as UK listed entities' earnings benefited from currency translation effects due to the sharp fall in the Pound, whilst risk sentiment globally improved.

However, global equity markets and risk assets more broadly witnessed the largest gains in the second half of the year, following the US election. Republican nominee Donald Trump's win in November propelled equity markets and commodity prices higher as investors focused on the fiscally stimulative impact of Mr Trump's policy promises including big ticket tax cuts and increased infrastructure spending. The S&P 500 gained 11.5% across the remainder of the financial year following the election, whilst major commodity benchmarks such as iron ore and copper gained 25% and 15% on the expectation of infrastructure-related demand.

Emerging market equity indices underperformed their developed market peers following the US election as the MSCI Emerging market index notched up gains of 7%. South African equities themselves ended March 2017 flat on the year relative to March 2016. However, this masks a fairly volatile year and wide divergences across sectors. The continuing rally in commodity prices saw resource shares rally 13% over the year. But concerns about the South African political environment and the knock on effects of higher interest rates and slower growth saw financials down 8% for the year. Meanwhile industrials ended the year roughly flat. Looking forward, continuing political uncertainty is likely to be the major theme until the end of 2017 when the governing party, the ANC, meets for its next elective conference.

Operating environment

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

	Year ended 31 March 2017	Year ended 31 March 2016	% change	Average over the year 1 April 2016 to 31 March 2017
Market indicators				
FTSE All share	3 990	3 395	17.5%	3 699
JSE All share	52 056	52 250	(0.4%)	52 017
S&P	2 363	2 060	14.7%	2 186
Nikkei	18 909	16 759	12.8%	17 516
Dow Jones	20 663	17 685	16.8%	18 846
Rates				
UK overnight	0.17%	0.41%		0.30%
UK 10 year	1.07%	1.42%		1.18%
UK clearing banks base rate	0.25%	0.50%		0.33%
LIBOR – three month	0.34%	0.59%		0.44%
SA R186	8.84%	9.10%		8.85%
Rand overnight	6.86%	6.92%		7.28%
SA prime overdraft rate	10.50%	10.50%		10.50%
JIBAR – three month	7.36%	7.23%		7.34%
US 10 year	2.40%	1.79%		1.97%
Commodities				
Gold	US$1 247/oz	US$1 233/oz	1.1%	US$1 258/oz
Oil	US$58/bbl	US$40/bbl	45.0%	US$50/bbl
Platinum	US$940/oz	US$976/oz	(3.7%)	US$1 003/oz
Macro-economic				
UK GDP (% change over the period)	2.0%	1.9%		
UK per capita GDP (£, calendar year)	29 580	28 768	2.8%	
South Africa GDP (% change over the period)	0.3%	1.3%		
South Africa per capita GDP (real value in Rands, historical revised)	55 827	56 449	(1.1%)	

Sources: Datastream, Bloomberg, Office for National Statistics, SARB Quarterly Bulletin.

Financial review

(continued)

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised briefly below with further details provided in Investec's 2017 integrated annual report. The board, through its various sub-committees, has performed a robust assessment of these principal risks. For additional information pertaining to the management and monitoring of these principal risks refer to volume two of the Investec 2017 integrated annual report. Regular reporting of these risks is made to senior management, the executives and the board at the group risk and capital committee (GRCC) and board risk and capital committee (BRCC).

The group's board approved risk appetite framework is provided on page 82. The board recognises even with sound appetite and judgement that extreme events can happen that are completely outside of the board's control. It is however, necessary to assess these events and their impact and how they may be mitigated by changing the risk appetite framework if necessary. It is policy to regularly carry out multiple stress testing scenarios which in theory test extreme, but plausible events and from that assess and plan what can be done to mitigate the potential outcome. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

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

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

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

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

Unintended **environmental, social and economic risks** could arise in our lending and investment activities.

We may be exposed to **investment risk** largely in our unlisted investment portfolio.

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

Liquidity risk may impair our ability to fund our operations.

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

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

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

Employee misconduct could cause harm that is difficult to detect.

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

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

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

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

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

We may be exposed to **pension risks** in our UK operations.

Statutory income statement analysis

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

Total operating income

Total operating income before impairment losses on loans and advances increased by 17.9% to £2 286.2 million (2016: £1 939.5 million).

£'000	31 March 2017	% of total income	31 March 2016	% of total income	% change
Net interest income	679 895	29.7%	573 769	29.6%	18.5%
Net fees and commissions income	1 271 524	55.6%	1 061 625	54.7%	19.8%
Investment income	136 203	6.0%	170 408	8.8%	(20.1%)
Share of post-taxation operating profit of associates	18 890	0.8%	1 811	0.1%	>100.0%
Trading income arising from customer flow	158 001	6.9%	110 227	5.7%	43.3%
Trading income arising from balance sheet management and other trading activities	8 218	0.4%	11 377	0.6%	(27.8%)
Other operating income	13 483	0.6%	10 279	0.5%	31.2%
Total operating income	**2 286 214**	**100.0%**	**1 939 496**	**100.0%**	**17.9%**

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

£'000	31 March 2017	% of total income	31 March 2016	% of total income	% change
UK and Other	1 306 940	57.2%	1 128 374	58.2%	15.8%
Southern Africa	979 274	42.8%	811 122	41.8%	20.7%
Total operating income before impairments	**2 286 214**	**100.0%**	**1 939 496**	**100.0%**	**17.9%**

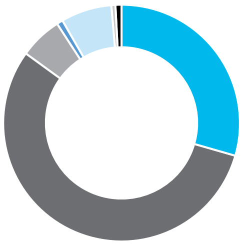
The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review.

£'000	31 March 2017	% of total income	31 March 2016	% of total income	% change
Asset Management	497 990	21.8%	421 615	21.7%	18.1%
Wealth & Investment	360 569	15.8%	324 500	16.7%	11.1%
Specialist Banking	1 427 655	62.4%	1 193 381	61.6%	19.6%
Total operating income before impairments	**2 286 214**	**100.0%**	**1 939 496**	**100.0%**	**17.9%**

Financial review

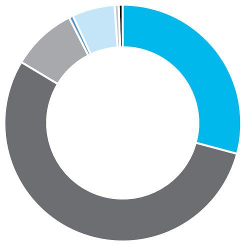
(continued)

% of total operating income before impairments



31 March 2017
£2 286.2 million total operating income before impairments

Net interest income	29.7%
Net fee and commission income	55.6%
Investment income	6.0%
Share of post taxation operating profit of associates	0.8%
Trading income arising from customer flow	6.9%
Trading income arising from balance sheet management and other trading activities	0.4%
Other operating income	0.6%



31 March 2016
£1 939.5 million total operating income before impairments

Net interest income	29.6%
Net fee and commission income	54.7%
Investment income	8.8%
Share of post taxation operating profit of associates	0.1%
Trading income arising from customer flow	5.7%
Trading income arising from balance sheet management and other trading activities	0.6%
Other operating income	0.5%

Net interest income

Net interest income increased by 18.5% to £680.0 million (2016: £573.8 million) supported by sound levels of lending activity across the banking businesses.

£'000	31 March 2017	31 March 2016	Variance	% change
Asset Management	5 118	3 904	1 214	31.1%
Wealth & Investment	11 968	7 330	4 638	63.3%
Specialist Banking	662 809	562 535	100 274	17.8%
Net interest income	**679 895**	**573 769**	**106 126**	**18.5%**

A further analysis of interest income and interest expense is provided in the tables below.

		UK and Other		Southern Africa		Total group	
For the year to 31 March 2017 £'000	Notes	**Balance sheet value**	**Interest income**	**Balance sheet value**	**Interest income**	**Balance sheet value**	**Interest income**
Cash, near cash and bank debt and sovereign debt securities	1	5 621 557	33 255	8 260 231	398 053	13 881 788	431 308
Core loans and advances	2	8 620 742	471 547	14 086 395	1 188 974	22 707 137	1 660 521
Private client		3 454 366	151 645	9 413 110	798 380	12 867 476	950 025
Corporate, institutional and other clients		5 166 376	319 902	4 673 285	390 594	9 839 661	710 496
Other debt securities and other loans and advances		735 059	58 552	735 747	58 244	1 470 806	116 796
Other interest-earning assets	3	–	–	10 336	22 140	10 336	22 140
Total interest-earning assets		**14 977 358**	**563 354**	**23 092 709**	**1 667 411**	**38 070 067**	**2 230 765**

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 cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. No securitised assets are held at amortised cost outside of Southern Africa.*

For the year to 31 March 2017 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	2 708 483	(87 872)	3 104 378	(118 225)	5 812 861	(206 097)
Customer accounts (deposits)		11 012 809	(130 419)	18 096 619	(1 087 496)	29 109 428	(1 217 915)
Other interest-bearing liabilities	5	–	–	90 125	(13 050)	90 125	(13 050)
Subordinated liabilities		579 356	(55 883)	823 282	(57 925)	1 402 638	(113 808)
Total interest-bearing liabilities		**14 300 648**	**(274 174)**	**22 114 404**	**(1 276 696)**	**36 415 052**	**(1 550 870)**
Net interest income			**289 180**		**390 715**		**679 895**
Net interest margin (local currency)			**1.96%**		**1.86%****		

For the year to 31 March 2016 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 622 577	47 481	6 952 692	292 563	12 575 269	340 044
Core loans and advances	2	7 803 602	427 601	10 315 213	826 999	18 118 815	1 254 600
Private client		3 510 327	150 060	6 856 533	550 044	10 366 860	700 104
Corporate, institutional and other clients		4 293 275	277 541	3 458 680	276 955	7 751 955	554 496
Other debt securities and other loans and advances		697 875	74 010	573 692	29 445	1 271 567	103 455
Other interest-earning assets	3	–	–	9 730	7 541	9 730	7 541
Total interest-earning assets		**14 124 054**	**549 092**	**17 851 327**	**1 156 548**	**31 975 381**	**1 705 640**

For the year to 31 March 2016 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	2 484 617	(106 707)	3 184 183	(85 888)	5 668 800	(192 595)
Customer accounts (deposits)		10 800 668	(124 569)	13 243 613	(703 399)	24 044 281	(827 968)
Other interest-bearing liabilities	5	–	–	85 884	(15 494)	85 884	(15 494)
Subordinated liabilities		597 309	(56 871)	537 574	(38 943)	1 134 883	(95 814)
Total interest-bearing liabilities		**13 882 594**	**(288 147)**	**17 051 254**	**(843 724)**	**30 933 848**	**(1 131 871)**
Net interest income			**260 945**		**312 824**		**573 769**
Net interest margin (local currency)			**1.82%**		**1.90%****		

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 cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. No securitised assets are held at amortised cost outside of Southern Africa.*
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 assets; and liabilities arising on securitisation. No liabilities on securitisation are held at amortised cost outside of Southern Africa.*

** *Impacted by debt funding issued by the Investec Property Fund in which the group has a 27.86% interest. Excluding this debt funding cost, the net interest margin amounted to 1.99% (2016: 1.98%).*

Net fee and commission income

Net fee and commission income increased by 19.8% to £1 271.5 million (2016: £1 061.6 million) as a result of higher average funds under management in the asset management and wealth management businesses. In addition, the Specialist Banking business benefited from an increase in the scale of the property fund business in South Africa and from a good performance in the corporate and advisory businesses, notably in the UK.

£'000	31 March 2017	31 March 2016	Variance	% change
Asset Management	484 872	415 528	69 344	16.7%
Wealth & Investment	343 708	309 080	34 628	11.2%
Specialist Banking	442 944	337 017	105 927	31.4%
Net fee and commission income	**1 271 524**	**1 061 625**	**209 899**	**19.8%**

Further information on net fees by type of fee and geography is provided in the tables below.

For the year to 31 March 2017 £'000	UK and Other	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	**575 931**	**252 649**	**828 580**
Fund management fees/fees for assets under management	639 100	224 498	863 598
Private client transactional fees	56 955	39 400	96 355
Fee and commission expense	(120 124)	(11 249)	(131 373)
Specialist Banking net fee and commission income	**227 932**	**215 012**	**442 944**
Corporate and institutional transactional and advisory services	206 407	196 246	402 653
Private client transactional fees	29 684	37 298	66 982
Fee and commission expense	(8 159)	(18 532)	(26 691)
Net fee and commission income/cost	**803 863**	**467 661**	**1 271 524**
Annuity fees (net of fees payable)	581 895	383 355	965 250
Deal fees	221 968	84 306	306 274

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	**520 245**	**204 363**	**724 608**
Fund management fees/fees for assets under management	567 257	178 549	745 806
Private client transactional fees	54 258	34 664	88 922
Fee and commission expense	(101 270)	(8 850)	(110 120)
Specialist Banking net fee and commission income	**189 513**	**147 504**	**337 017**
Corporate and institutional transactional and advisory services	164 088	130 089	294 177
Private client transactional fees	28 141	30 966	59 107
Fee and commission expense	(2 716)	(13 551)	(16 267)
Net fee and commission income	**709 758**	**351 867**	**1 061 625**
Annuity fees (net of fees payable)	542 128	275 058	817 186
Deal fees	167 630	76 809	244 439

Investment income

Investment income reduced by 20.1% to £136.2 million (2016: £170.4 million) primarily as a consequence of the change in accounting treatment from fair value to equity accounting for the assets transferred to the IEP Group in South Africa in the prior year (as explained on page 197). In the UK, the group's unlisted investment portfolio delivered a sound performance; however, this was offset by the write down of an investment in the Hong Kong portfolio.

£'000	31 March 2017	31 March 2016	Variance	% change
Asset Management	143	44	99	>100%
Wealth & Investment	2 269	6 072	(3 803)	(62.6%)
Specialist Banking	133 791	164 292	(30 501)	(18.6%)
Investment income	**136 203**	**170 408**	**(34 205)**	**(20.1%)**

Further information on investment income is provided in the tables below.

For the year to 31 March 2017 £'000	UK and Other	Southern Africa	Total group
Realised	50 335	51 070	101 405
Unrealised^	(9 271)	6 940	(2 331)
Dividend income	12 339	18 540	30 879
Funding and other net related income/(costs)	6 572	(322)	6 250
Investment income	**59 975**	**76 228**	**136 203**

For the year to 31 March 2017 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**47 786**	**(3 344)**	**8 329**	**7 204**	**59 975**
Realised	38 533	(8 482)	18 337	1 947	50 335
Unrealised^	(3 086)	5 138	(10 008)	(1 315)	(9 271)
Dividend income	12 339	–	–	–	12 339
Funding and other net related income	–	–	–	6 572	6 572
Southern Africa	**21 313**	**8 615**	**44 992**	**1 308**	**76 228**
Realised	20 483	6 360	22 003	2 224	51 070
Unrealised^	(13 504)	2 255	22 989	(4 800)	6 940
Dividend income	18 102	–	–	438	18 540
Funding and other net related (costs)/income	(3 768)	–	–	3 446	(322)
Total investment income	**69 099**	**5 271**	**53 321**	**8 512**	**136 203**

* *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.*

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group
Realised	44 135	240 167	284 302
Unrealised^	(2 311)	(131 813)	(134 124)
Dividend income	15 419	13 037	28 456
Funding and other net related income/(costs)	4 877	(13 103)	(8 226)
Investment income	**62 120**	**108 288**	**170 408**

For the year to 31 March 2016 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**41 300**	**23 675**	**1 282**	**(4 137)**	**62 120**
Realised	10 319	31 143	–	2 673	44 135
Unrealised^	15 562	(7 468)	1 282	(11 687)	(2 311)
Dividend income	15 419	–	–	–	15 419
Funding and other net related income	–	–	–	4 877	4 877
Southern Africa	**76 824**	**9 166**	**20 628**	**1 670**	**108 288**
Realised	227 043	3 052	9 121	951	240 167
Unrealised^	(149 102)	6 114	11 507	(332)	(131 813)
Dividend income	12 977	–	–	60	13 037
Funding and other net related income	(14 094)	–	–	991	(13 103)
Total investment income/(loss)	**118 124**	**32 841**	**21 910**	**(2 467)**	**170 408**

* *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.*

Share of post taxation operating profit of associates

Share of post taxation operating profit of associates of £18.9 million in the current period largely reflects earnings in relation to the group's investment in the IEP Group.

Trading income

Trading income arising from customer flow increased considerably to £158.0 million (2016: £110.2 million) supported by robust client activity levels and market volatility. Trading income from other trading activities amounted to £8.2 million (2016: £11.4 million) predominantly impacted by currency volatility over the period.

Arising from customer flow

£'000	31 March 2017	31 March 2016	Variance	% change
Wealth & Investment	1 028	316	712	>100%
Specialist Banking	156 973	109 911	47 062	42.8%
Trading income arising from customer flow	**158 001**	**110 227**	**47 774**	**43.3%**

Arising from balance sheet management and other trading activities

£'000	31 March 2017	31 March 2016	Variance	% change
Asset Management	2 213	1 668	545	32.7%
Wealth & Investment	87	509	(422)	(82.9%)
Specialist Banking	5 918	9 200	(3 282)	(35.7%)
Trading income arising from balance sheet management and other trading activities	**8 218**	**11 377**	**(3 159)**	**(27.8%)**

Impairment losses on loans and advances

Impairments on loans and advances increased from £109.5 million to £111.5 million, with the credit loss ratio on core loans and advances amounting to 0.54% (2016: 0.62%). Since 31 March 2016 gross defaults have increased from £466.1 million to £476.0 million largely due to a few specific defaults in the South African banking business. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.22% (31 March 2016: 1.54%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.63 times (2016: 1.35 times).

Further information is provided on page 35 in volume two of the Investec 2017 integrated annual report.

£'000	31 March 2017	31 March 2016	Variance	% change
UK and Other	(74 956)	(84 217)	9 261	(11.0%)
Southern Africa	(36 498)	(25 299)	(11 199)	44.3%
Total impairment losses on loans and advances	**(111 454)**	**(109 516)**	**(1 938)**	**1.8%**
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(659)	(520)	(139)	26.7%

Operating costs

The cost to income ratio amounted to 66.3% (2016: 66.4%). Total operating costs grew by 17.5% to £1 515.4 million (2016: £1 289.2 million) reflecting planned investment on IT infrastructure and headcount to support increased activity and growth initiatives, notably the build out of the UK private client offering. Costs are also impacted by additional premises expenses relating to the London office's future premises move and an increase in variable remuneration given improved profitability across the group.

£'000	31 March 2017	% of total operating costs	31 March 2016	% of total operating costs	% change
Staff costs	(1 079 701)	71.2%	(912 435)	70.7%	18.3%
– fixed	(690 161)	45.5%	(581 847)	45.1%	18.6%
– variable	(389 540)	25.7%	(330 588)	25.6%	17.8%
Business expenses	(177 057)	11.7%	(177 642)	13.8%	(0.3%)
Premises expenses (excluding depreciation)	(80 083)	5.3%	(58 847)	4.6%	36.1%
Equipment expenses (excluding depreciation)	(82 928)	5.5%	(57 780)	4.5%	43.5%
Marketing expenses	(70 625)	4.7%	(59 737)	4.6%	18.2%
Depreciation and impairment of property, plant, equipment and software	(22 837)	1.5%	(20 580)	1.6%	11.0%
Depreciation on operating leased assets	(2 169)	0.1%	(2 165)	0.2%	0.2%
Total operating costs	**(1 515 400)**	**100.0%**	**(1 289 186)**	**100.0%**	**17.5%**

Financial review

(continued)

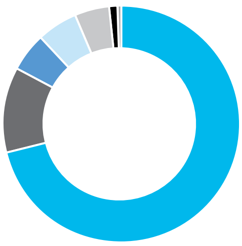
The following table sets out certain information on total operating costs by geography for the year under review.

£'000	31 March 2017	% of total operating costs	31 March 2016	% of total operating costs	% change
UK and Other	(1 007 271)	66.5%	(865 797)	67.2%	16.3%
Southern Africa	(508 129)	33.5%	(423 389)	32.8%	20.0%
Total operating costs	**(1 515 400)**	**100.0%**	**(1 289 186)**	**100.0%**	**17.5%**

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

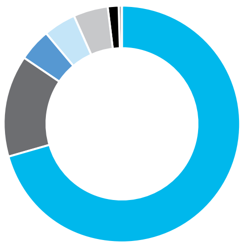
£'000	31 March 2017	% of total operating costs	31 March 2016	% of total operating costs	% change
Asset Management	(333 166)	22.0%	(286 832)	22.2%	16.2%
Wealth & Investment	(267 326)	17.6%	(238 765)	18.5%	12.0%
Specialist Banking	(866 132)	57.2%	(717 784)	55.7%	20.7%
Group costs	(48 776)	3.2%	(45 805)	3.6%	6.5%
Total operating costs	**(1 515 400)**	**100.0%**	**(1 289 186)**	**100.0%**	**17.5%**

% of total operating costs



31 March 2017
£1 515.4 million total operating costs

Staff costs	71.2%
Business expenses	11.7%
Premises expenses	5.3%
Equipment expenses	5.5%
Marketing expenses	4.7%
Depreciation and impairment of property, plant, equipment and software	1.5%
Depreciation on operating leased assets	0.1%



31 March 2016
£1 289.2 million total operating costs

Staff costs	70.7%
Business expenses	13.8%
Premises expenses	4.6%
Equipment expenses	4.5%
Marketing expenses	4.6%
Depreciation and impairment of property, plant, equipment and software	1.6%
Depreciation on operating leased assets	0.2%

Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests

As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests increased by 18.5% from £505.6 million to £599.1 million.

The following tables set out information on operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests by geography and by division for the year under review.

For the year to 31 March 2017 £'000	**UK and Other**	**Southern Africa**	**Total group**	**% change**	**% of total**
Asset Management	91 262	73 562	164 824	22.3%	27.5%
Wealth & Investment	65 190	28 053	93 243	8.8%	15.6%
Specialist Banking	104 604	285 226	389 830	17.8%	65.0%
	261 056	**386 841**	**647 897**	**17.5%**	**108.1%**
Group costs	(36 163)	(12 613)	(48 776)	6.5%	(8.1%)
Total group	**224 893**	**374 228**	**599 121**	**18.5%**	**100.0%**
Other non-controlling interest – equity			60 239		
Operating profit			**659 360**		
% change	**23.0%**	**16.0%**	**18.5%**		
% of total	**37.5%**	**62.5%**	**100.0%**		

For the year to 31 March 2016 £'000	**UK and Other**	**Southern Africa**	**Total group**	**% of total**
Asset Management	76 853	57 930	134 783	26.7%
Wealth & Investment	63 127	22 608	85 735	17.0%
Specialist Banking	78 043	252 837	330 880	65.4%
	218 023	**333 375**	**551 398**	**109.1%**
Group costs	(35 160)	(10 645)	(45 805)	(9.1%)
Total group	**182 863**	**322 730**	**505 593**	**100.0%**
Other non-controlling interest – equity			35 201	
Operating profit			**540 794**	
% of total	**36.2%**	**63.8%**	**100.0%**	

Key income drivers in our core businesses

The information below reflects our key income drivers in our core businesses.

Asset Management

Global business (in Pounds Sterling)	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Operating margin	33.1%	32.0%	34.2%	34.7%	34.5%	35.7%
Net inflows in funds under management as a % of opening funds under management	(0.8%)	4.1%	4.6%	3.7%	6.7%	8.8%
Average income yield earned on funds under management^	0.58%	0.55%	0.60%	0.60%	0.62%	0.62%

Wealth & Investment

Global business (in Pounds Sterling)	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Operating margin	25.9%	26.4%	25.2%	22.9%	20.3%	19.7%
Net organic growth in funds under management as a % of opening funds under management	2.7%	4.5%	6.6%	3.5%	2.0%	(5.3%)
Average income yield earned on funds under management^	0.72%	0.71%	0.72%	0.71%	0.66%	0.61%
UK and Other^^ (in Pounds Sterling)						
Operating margin^^	23.5%	24.6%	22.7%	20.1%	17.3%	16.3%
Net organic growth in funds under management as a % of opening funds under management	4.2%	4.5%	7.1%	5.1%	1.3%	(7.4%)
Average income yield earned on funds under management^	0.85%	0.87%	0.89%	0.89%	0.86%	0.80%
South Africa (in Rands)						
Operating margin	33.8%	33.1%	35.1%	33.9%	31.3%	28.5%
Net organic growth in discretionary funds under management as a % of opening discretionary funds under management	8.1%	10.4%	8.5%	13.6%	13.9%	8.7%
Average income yield earned on funds under management^*	0.47%	0.45%	0.41%	0.41%	0.37%	0.39%

* *A large portion of the funds under management are non-discretionary funds.*

^ *The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not take into account the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals during the respective periods.*

^^ *'Other' comprises the Wealth operations in Switzerland, the Republic of Ireland, the Channel Islands, and Hong Kong. Excluding 'Other', Investec Wealth & Investment UK has an operating margin of 26.8% (2016: 26.5%).*

Specialist Banking – statutory basis

Global business (in Pounds Sterling)	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Cost to income ratio	60.6%*	60.1%*	63.1%*	63.2%*	63.1%	62.4%
ROE post-tax^	10.5%	10.1%	8.6%	7.9%	6.4%	5.1%
ROE post-tax (ongoing business)^	12.6%	13.0%	12.8%	11.9%	–	–
Growth in net core loans	25.3%	5.4%	0.2%^^	(6.8%)	1.0%	(2.8%)
Currency neutral growth in net core loans	7.6%	–	–	–	–	–
Growth in risk-weighted assets	22.2%	2.2%	(4.9%)^^	(6.0%)	4.7%	1.5%
Currency neutral growth in risk-weighted assets	7.2%	–	–	–	–	–
Defaults (net of impairments as a % of core loans)	1.22%	1.54%	2.07%	2.30%	2.73%	3.31%
Credit loss ratio on core loans	0.54%	0.62%	0.68%	0.68%	0.84%	1.12%
UK and Other# (in Pounds Sterling)						
Cost to income ratio	74.8%*	73.4%*	78.9%*	72.5%*	69.0%	68.3%
ROE post-tax^	7.0%	5.5%	2.1%	3.6%	1.7%	(1.8%)
ROE post-tax (ongoing business)**^	11.5%	11.4%	9.6%	10.9%	–	–
Growth in net core loans	10.5%	10.5%	(14.1%)^^	(0.3%)	6.6%	0.3%
Currency neutral growth in net core loans	6.6%	–	–	–	–	–
Growth in risk-weighted assets	8.4%	6.7%	(15.5%)^^	0.4%	7.7%	4.6%
Defaults (net of impairments as a % of core loans)	1.55%	2.19%	3.00%	3.21%	3.75%	4.10%
Credit loss ratio on core loans	0.90%	1.13%	1.16%	0.99%	1.16%	1.65%
Southern Africa (in Rands)						
Cost to income ratio	46.9%*	46.5%*	47.2%*	51.0%*	55.5%	55.2%
ROE post-tax^	12.7%	15.1%	15.2%	12.5%	10.0%	9.6%
ROE post-tax (excluding investment activities)##	15.3%	15.2%	14.8%	–	–	–
Growth in net core loans	8.4%	19.7%	16.1%	10.6%	10.2%	6.6%
Growth in risk-weighted assets	6.2%	15.1%	8.3%	11.0%	16.5%	11.9%
Defaults (net of impairments as a % of core loans)	1.02%	1.05%	1.43%	1.46%	1.89%	2.73%
Credit loss ratio on core loans	0.29%	0.26%	0.28%	0.42%	0.61%	0.65%

^ *Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation we have applied the group's effective tax rate to derive post-tax numbers. Capital as at 31 March 2017 was c.£1.4 billion in the UK and c.R31.3 billion in South Africa.*
^^ *Impacted by sale of assets.*
* *Excludes group costs.*
** *Further information is provided on page 61.*
# *Includes UK, other non-Southern African jurisdictions and the legacy businesses.*
Refer to page 75 for further information on the group's investment activities in South Africa.

Impairment of goodwill

The current year's goodwill impairment relates to historic acquisitions in the Specialist Banking and Asset Management businesses.

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2017	31 March 2016
UK and Other	**355 155**	**356 994**
Asset Management	88 045	88 045
Wealth & Investment	243 169	242 672
Specialist Banking	23 941	26 277
South Africa	**12 424**	**11 045**
Asset Management	14	1 149
Wealth & Investment	2 061	1 616
Specialist Banking	10 349	8 280
Intangible assets	**143 261**	**148 280**
Total group	**510 840**	**516 319**

Amortisation of acquired intangibles

Amortisation of acquired intangibles largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Taxation

The effective operational tax rate amounts to 18.5% (2016: 19.1%).

	Effective operational tax rates				
	2017	2016	31 March 2017 £'000	31 March 2016 £'000	% change
UK and Other	17.6%	19.8%	(39 144)	(35 335)	(10.8%)
Southern Africa	19.0%	18.7%	(79 344)	(67 867)	(16.9%)
Tax	**18.5%**	**19.1%**	**(118 488)**	**(103 202)**	**(14.8%)**

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests mainly comprises:

- £20.3 million profit attributable to non-controlling interests in the Asset Management business
- £59.9 million profit attributable to non-controlling interests in the Investec Property Fund Limited

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £368.5 million to £442.5 million.

Dividends and earnings per share

Information with respect to dividends and earnings per share is provided on pages 154, 155 and 180 to 183.

Statutory balance sheet analysis

Since 31 March 2016:

- Total shareholders' equity (including non-controlling interests) increased by 24.6% to £4.8 billion due to foreign currency translation gains, an increase in retained earnings and the issuance of shares during the period.
- Net asset value per share increased 22.3% to 431.0 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased by 28.1% to 377.0 pence.
- The return on adjusted average shareholders' equity increased from 11.5% to 12.5%.

Assets by geography

31 March 2017
£53 535 million total assets

UK and Other	34.8%
Southern Africa	65.2%

31 March 2016
£45 352 million total assets

UK and Other	40.8%
Southern Africa	59.2%

Statutory net tangible asset value per share

The group's net tangible asset value per share is reflected in the table below.

£'000	31 March 2017	31 March 2016
Shareholders' equity	4 131 093	3 360 287
Less: perpetual preference shares issued by holding companies	(214 645)	(300 258)
Less: goodwill and intangible assets (excluding software)	(490 841)	(503 996)
Net tangible asset value	**3 425 607**	**2 556 033**
Number of shares in issue (million)	958.3	908.8
Treasury shares (million)	(49.7)	(40.3)
Number of shares in issue in this calculation (million)	**908.6**	**868.5**
Net tangible asset value per share (pence)	**377.0**	**294.3**
Net asset value per share (pence)	**431.0**	**352.3**

Statutory return on risk-weighted assets

The group's return on risk-weighted assets is reflected in the table below.

	31 March 2017	31 March 2016	Average	31 March 2015	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	**434 504**	**359 732**		**339 523**	
Investec plc risk-weighted assets (£'million)	13 312	12 297	12 805	11 608	11 953
Investec Limited risk-weighted assets^ (£'million)	19 667	14 626	17 146	14 992	14 809
Total risk-weighted assets (£'million)	**32 979**	**26 923**	**29 951**	**26 600**	**26 762**
Return on average risk-weighted assets	**1.45%**	**1.34%**		**1.25%**	
^Investec Limited risk-weighted assets (R'million)	**329 808**	**309 052**	**319 430**	**269 466**	**289 259**

Capital management and allocation

We hold capital in excess of regulatory requirements targeting a minimum common equity tier 1 capital ratio of 10% and a total capital adequacy ratio range of 14% – 17% on a consolidated basis for each of Investec plc and Investec Limited.

A summary of capital adequacy and leverage ratios

As at 31 March 2017	Investec plc°*	IBP°*	Investec Limited*^	IBL*^
Common equity tier 1 (as reported)	11.3%	12.5%	9.9%	10.8%
Common equity tier 1 ('fully loaded')^^	11.3%	12.5%	9.9%	10.8%
Tier 1 (as reported)	11.5%	12.5%	10.7%	11.1%
Total capital adequacy ratio (as reported)	15.1%	16.9%	14.1%	15.4%
Leverage ratio** – permanent capital	7.8%	8.2%	7.8%#	7.7%#
Leverage ratio** – current	7.8%	8.2%	7.3%#	7.6%#
Leverage ratio** – 'fully loaded'^^	7.7%	8.2%	6.8%#	7.4%#

As at 31 March 2016	Investec plc°*	IBP°*	Investec Limited*^	IBL*
Common equity tier 1 (as reported)	9.7%	12.2%	9.6%	10.6%
Common equity tier 1 ('fully loaded')^^	9.7%	12.2%	9.6%	10.6%
Tier 1 (as reported)	10.7%	12.2%	10.7%	11.0%
Total capital adequacy ratio (as reported)	15.1%	17.2%	14.0%	14.6%
Leverage ratio** – permanent capital	7.0%	7.7%	7.4%#	7.4%#
Leverage ratio** – current	7.0%	7.7%	6.9%#	7.2%#
Leverage ratio** – 'fully loaded'^^	6.3%	7.7%	6.3%#	7.0%#

* *Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable dividends when calculating common equity tier 1 as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £60 million for Investec plc and £35 million for Investec Bank plc would be 45bps and 28bps lower, respectively. At 31 March 2016 the impact of the final proposed ordinary and preference dividends totalling £46 million for Investec plc and £34 million for IBP was 40bps and 30bps lower, respectively.*

^^ *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 Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 13bps lower, respectively. At 31 March 2016, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

Return on equity by country and business – statutory

£'000	31 March 2017	31 March 2016	Average	31 March 2015	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 916 448	3 060 029	3 488 239	3 174 144	3 117 087
Goodwill and intangible assets (excluding software)	(490 841)	(503 996)	(497 419)	(494 111)	(499 054)
Adjusted tangible shareholders' equity	**3 425 607**	**2 556 033**	**2 990 820**	**2 680 033**	**2 618 033**

£'000	31 March 2017	31 March 2016
Operating profit*	659 360	540 794
Non-controlling interests	(80 530)	(51 730)
Accrued preference dividends, adjusted for currency hedge	(25 838)	(26 130)
Revised operating profit	**552 992**	**462 934**
Taxation on operating profit before goodwill and acquired intangibles	(118 488)	(103 202)
Adjusted attributable earnings to ordinary shareholders*	**434 504**	**359 732**
Pre-tax return on average adjusted shareholders' equity	15.9%	14.9%
Post-tax return on average adjusted shareholders' equity	12.5%	11.5%
Pre-tax return on average adjusted tangible shareholders' equity	18.5%	17.7%
Post-tax return on average adjusted tangible shareholders' equity	14.5%	13.7%

Return on equity on an ongoing basis is provided on page 63.

* *Before goodwill, acquired intangibles and non-operating items.*

Return on equity by geography

£'000	UK and Other	Southern Africa	Total group	UK and Other ongoing**
Operating profit*	224 713	434 647	659 360	289 305
Taxation on operating profit before goodwill and acquired intangibles	(39 144)	(79 344)	(118 488)	(51 094)
Non-controlling interests	(11 627)	(68 903)	(80 530)	(11 627)
Accrued preference dividend adjusted for currency hedge	(439)	(25 399)	(25 838)	(439)
Adjusted attributable earnings to ordinary shareholders – 31 March 2017	**173 503**	**261 001**	**434 504**	**226 145**
Adjusted attributable earnings to ordinary shareholders – 31 March 2016	131 602	228 130	359 732	194 988
Ordinary shareholders' equity – 31 March 2017	**1 991 697**	**1 924 751**	**3 916 448**	**1 934 784**
Goodwill and intangible assets (excluding software)	(459 245)	(31 596)	(490 841)	(459 245)
Tangible ordinary shareholders' equity – 31 March 2017	**1 532 452**	**1 893 155**	**3 425 607**	**1 475 539**
Ordinary shareholders' equity – 31 March 2016	**1 717 892**	**1 342 137**	**3 060 029**	**1 647 872**
Goodwill and intangible assets (excluding software)	(475 300)	(28 696)	(503 996)	(475 300)
Tangible ordinary shareholders' equity – 31 March 2016	**1 242 592**	**1 313 441**	**2 556 033**	**1 172 572**
Ordinary shareholders' equity – 31 March 2015	**1 764 017**	**1 410 127**	**3 174 144**	**1 675 247**
Goodwill and intangible assets (excluding software)	(488 674)	(5 437)	(494 111)	(488 674)
Tangible ordinary shareholders' equity – 31 March 2015	**1 275 343**	**1 404 690**	**2 680 033**	**1 186 573**
Average ordinary shareholders' equity – 31 March 2017	**1 854 795**	**1 633 444**	**3 488 239**	**1 791 327**
Average ordinary shareholders' equity – 31 March 2016	1 740 955	1 376 132	3 117 087	1 661 559
Average tangible shareholders' equity – 31 March 2017	**1 387 521**	**1 603 299**	**2 990 820**	**1 324 055**
Average tangible shareholders' equity – 31 March 2016	**1 258 967**	**1 359 066**	**2 618 033**	**1 179 572**
Post-tax return on average ordinary shareholders' equity – 31 March 2017	**9.4%**	**16.0%**	**12.5%**	**12.6%**
Post-tax return on average ordinary shareholders' equity – 31 March 2016	**7.6%**	**16.6%**	**11.5%**	**11.7%**
Post-tax return on average tangible shareholders' equity – 31 March 2017	**12.5%**	**16.3%**	**14.5%**	**17.1%**
Post-tax return on adjusted tangible shareholders' equity – 31 March 2016	**10.5%**	**16.8%**	**13.7%**	**16.5%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2017	**11.5%**	**20.8%**	**15.9%**	**15.5%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2016	**9.6%**	**21.5%**	**14.9%**	**14.8%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2017	**15.3%**	**21.2%**	**18.5%**	**20.9%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2016	**13.3%**	**21.8%**	**17.7%**	**20.8%**

* *Before goodwill, acquired intangibles and non-operating items.*

** *Excluding the remaining UK legacy business as shown on page 65.*

Return on equity by business*

£'000	Asset Management	Wealth & Investment^	Specialist Banking	Specialist Banking ongoing**
Operating profit#	**164 824**	**93 243**	**389 830**	**454 422**
Notional return on regulatory capital	3 379	2 551	(5 930)	(5 930)
Notional cost of statutory capital	(3 898)	(5 388)	9 286	9 286
Cost of subordinated debt	(1 278)	(1 185)	2 463	2 463
Cost of preference shares	(628)	(478)	(24 732)	(24 732)
Adjusted earnings – 31 March 2017	**162 399**	**88 734**	**370 917**	**435 509**
Adjusted earnings – 31 March 2016	**131 337**	**77 124**	**316 807**	**395 142**
Ordinary shareholders' equity – 31 March 2017	**186 423**	**251 523**	**3 319 452**	**3 262 539**
Goodwill and intangible assets (excluding software)	(88 059)	(191 707)	(52 025)	(52 025)
Tangible ordinary shareholders' equity – 31 March 2017	**98 364**	**59 816**	**3 267 427**	**3 210 514**
Ordinary shareholders' equity – 31 March 2016	**171 629**	**246 302**	**2 483 048**	**2 413 028**
Goodwill and intangible assets (excluding software)	(89 194)	(203 534)	(52 220)	(52 220)
Tangible ordinary shareholders' equity – 31 March 2016	**82 435**	**42 768**	**2 430 828**	**2 360 808**
Ordinary shareholders' equity – 31 March 2015	**160 648**	**255 318**	**2 599 130**	**2 510 360**
Goodwill and intangible assets (excluding software)	(91 365)	(216 017)	(27 679)	(27 679)
Tangible ordinary shareholders' equity – 31 March 2015	**69 283**	**39 301**	**2 571 451**	**2 482 681**
Average ordinary shareholders' equity – 31 March 2017	**179 026**	**248 913**	**2 901 249**	**2 837 783**
Average ordinary shareholders' equity – 31 March 2016	166 139	250 810	2 541 088	2 461 693
Average tangible shareholders' equity – 31 March 2017	**90 400**	**51 292**	**2 849 127**	**2 785 660**
Average tangible shareholders' equity – 31 March 2016	75 859	41 035	2 501 139	2 421 744
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2017	**90.7%**	**35.7%**	**12.8%**	**15.3%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2016	79.1%	30.7%	12.5%	16.1%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2017	**179.6%**	**173.0%**	**13.0%**	**15.6%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2016	173.1%	187.9%	12.7%	16.3%

* *The return on equity by business is based on the level of internal capital required by each business, inclusive of an allocation of any surplus capital held by the group. The operating profit is adjusted to reflect a capital structure that includes common equity, Additional tier 1 capital instruments and subordinated debt.*

^ *Wealth & Investment is consistent with the group computation, except for an adjustment of £159.1 million between ordinary shareholders' funds and goodwill, which represents historical accounting gains with a corresponding effective increase in goodwill and intangible assets. These gains were excluded from group adjusted earnings.*

** *Excluding the remaining UK legacy business as shown on page 65.*

\# *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*

Statutory operating profit (before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests) per employee

By division	Asset Management	Wealth & Investment	Specialist Banking
Number of employees – 31 March 2017	**1 654**	**1 697**	**6 365**
Number of employees – 31 March 2016	1 543	1 597	5 826
Number of employees – 31 March 2015	1 508	1 533	5 213
Average employees – year to 31 March 2017	**1 598**	**1 647**	**6 096**
Average employees – year to 31 March 2016	1 525	1 565	5 520
Operating profit* – year to 31 March 2017 (£'000)	**164 824**	**93 243**	**389 830**
Operating profit* – year to 31 March 2016 (£'000)	134 783	85 735	330 880
Operating profit per employee^ – year to 31 March 2017(£'000)	**103.1^^**	**56.6**	**63.9**
Operating profit per employee^ – year to 31 March 2016 (£'000)	88.4^^	54.8	59.9

* *Operating profit excluding group costs*
^ *Based on average number of employees over the year.*
^^ *For Asset Management, operating profit per employee includes Silica, its third party administration business.*

By geography	UK and Other	Southern Africa	Total group
Number of employees – 31 March 2017	**4 165**	**5 551**	**9 716**
Number of employees – 31 March 2016	3869	5097	8 966
Number of employees – 31 March 2015	3729	4525	8 254
Average employees – year to 31 March 2017	**4 017**	**5 324**	**9 341**
Average employees – year to 31 March 2016	3 799	4 811	8 610
Operating profit* – year to 31 March 2017 (£'000)	**224 893**	**374 228**	**599 121**
Operating profit* – year to 31 March 2016 (£'000)	182 863	322 730	505 593
Operating profit per employee^ – year to 31 March 2017	**56.0**	**70.3**	**64.1**
Operating profit per employee^ – year to 31 March 2016 (£'000)	48.1	67.1	58.7

* *Operating profit excluding group costs.*
^ *Based on average number of employees over the year.*

Total third party assets under management

£'million	31 March 2017	31 March 2016
Asset Management	**95 287**	**75 679**
UK and Other	61 379	51 076
Southern Africa	33 908	24 603
Wealth & Investment	**54 773**	**45 459**
UK and Other	35 555	29 769
Southern Africa	19 218	15 690
Specialist Banking	**675**	**545**
UK and Other	386	335
Southern Africa	289	210
	150 735	**121 683**

A further analysis of third party assets under management

At 31 March 2017 £'million	UK and Other	Southern Africa	Total
Asset Management	**61 379**	**33 908**	**95 287**
Mutual funds	23 399	15 848	39 247
Segregated mandates	37 980	18 060	56 040
Wealth & Investment	**35 555**	**19 218**	**54 773**
Discretionary	26 336	6 552	32 888
Non-discretionary	9 219	12 666	21 885
Specialist Banking	**386**	**289**	**675**
	97 320	**53 415**	**150 735**

At 31 March 2016 £'million	UK and Other	Southern Africa	Total
Asset Management	**51 076**	**24 603**	**75 679**
Mutual funds	18 289	11 388	29 677
Segregated mandates	32 787	13 215	46 002
Wealth & Investment	**29 769**	**15 690**	**45 459**
Discretionary	21 747	4 945	26 692
Non-discretionary	8 022	10 745	18 767
Specialist Banking	**335**	**210**	**545**
	81 180	**40 503**	**121 683**

Financial review

(continued)

Ongoing information

The tables that follow provide information on our ongoing results.

	Results in Pounds Sterling			Results in Rand		
	Year to 31 March 2017	Year to 31 March 2016	% change	Year to 31 March 2017	Year to 31 March 2016	% change
Operating profit before taxation* (million)	£663.7	£583.9	13.7%	R12 075	R12 114	(0.3%)
Adjusted earnings attributable to shareholders** (million)	£487.1	£423.1	15.1%	R8 849	R8 773	0.9%
Adjusted earnings per share**	54.1p	48.6p	11.3%	983c	1 008c	(2.5%)

* Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.
** Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.

Consolidated summarised ongoing income statement

For the year to £'000	31 March 2017	31 March 2016	Variance	% change
Net interest income	680 539	571 929	108 610	19.0%
Net fee and commission income	1 271 591	1 058 340	213 251	20.1%
Investment income	135 631	169 915	(34 284)	(20.2%)
Share of post-taxation operating profit of associates	18 890	1 811	17 079	>100.0%
Trading income arising from				
– customer flow	158 006	110 879	47 127	42.5%
– balance sheet management and other trading activities	8 078	11 617	(3 539)	(30.5%)
Other operating income	13 158	10 279	2 879	28.0%
Total operating income before impairment losses on loans and advances	**2 285 893**	**1 934 770**	**351 123**	**18.1%**
Impairment losses on loans and advances	(57 149)	(41 368)	(15 781)	38.1%
Operating income	**2 228 744**	**1 893 402**	**335 342**	**17.7%**
Operating costs	(1 502 623)	(1 272 108)	(230 515)	18.1%
Depreciation on operating leased assets	(2 169)	(2 165)	(4)	0.2%
Operating profit before goodwill, acquired intangibles and non-operating items	**723 952**	**619 129**	**104 823**	**16.9%**
Profit attributable to other non-controlling interests	(60 239)	(35 201)	(25 038)	71.1%
Profit attributable to Asset Management non-controlling interests	(20 291)	(16 529)	(3 762)	22.8%
Operating profit before taxation	**643 422**	**567 399**	**76 023**	**13.4%**
Taxation	(130 438)	(118 151)	(12 287)	10.4%
Preference dividends accrued	(25 838)	(26 130)	292	(1.1%)
Adjusted attributable earnings to ordinary shareholders	**487 146**	**423 118**	**64 028**	**15.1%**
Adjusted earnings per share (pence)	54.1	48.6		11.3%
Number of weighted average shares (million)	900.4	870.5		
Cost to income ratio	65.8%	65.8%		

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2017 £'000	Statutory as disclosed	UK legacy business	Ongoing business
Net interest income/(expense)	679 895	(644)	680 539
Net fee and commission income/(expense)	1 271 524	(67)	1 271 591
Investment income	136 203	572	135 631
Share of post-taxation operating profit of associates	18 890	–	18 890
Trading income/(losses) arising from			
– customer flow	158 001	(5)	158 006
– balance sheet management and other trading activities	8 218	140	8 078
Other operating income	13 483	325	13 158
Total operating income before impairment losses on loans and advances	**2 286 214**	**321**	**2 285 893**
Impairment losses on loans and advances	(111 454)	(54 305)	(57 149)
Operating income/(loss)	**2 174 760**	**(53 984)**	**2 228 744**
Operating costs	(1 513 231)	(10 608)	(1 502 623)
Depreciation on operating leased assets	(2 169)	–	(2 169)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**659 360**	**(64 592)**	**723 952**
Profit attributable to other non-controlling interests	(60 239)	–	(60 239)
Profit attributable to Asset Management non-controlling interests	(20 291)	–	(20 291)
Operating profit/(loss) before taxation	**578 830**	**(64 592)**	**643 422**
Taxation*	(118 488)	11 950	(130 438)
Preference dividends accrued	(25 838)	–	(25 838)
Adjusted attributable earnings to ordinary shareholders	**434 504**	**(52 642)**	**487 146**
Adjusted earnings per share (pence)	48.3		54.1
Number of weighted average shares (million)	900.4		900.4
Cost to income ratio	66.3%		65.8%

* *Applying the group's effective taxation rate of 18.5%.*

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2016 £'000	Statutory as disclosed	UK legacy business	Ongoing business
Net interest income	573 769	1 840	571 929
Net fee and commission income	1 061 625	3 285	1 058 340
Investment income	170 408	493	169 915
Share of post-taxation operating profit of associates	1 811	–	1 811
Trading income/(losses) arising from			
– customer flow	110 227	(652)	110 879
– balance sheet management and other trading activities	11 377	(240)	11 617
Other operating income	10 279	–	10 279
Total operating income before impairment losses on loans and advances	**1 939 496**	**4 726**	**1 934 770**
Impairment losses on loans and advances	(109 516)	(68 148)	(41 368)
Operating income/(loss)	**1 829 980**	**(63 422)**	**1 893 402**
Operating costs	(1 287 021)	(14 913)	(1 272 108)
Depreciation on operating leased assets	(2 165)	–	(2 165)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**540 794**	**(78 335)**	**619 129**
Profit attributable to other non-controlling interests	(35 201)	–	(35 201)
Profit attributable to Asset Management non-controlling interests	(16 529)	–	(16 529)
Operating profit/(loss) before taxation	**489 064**	**(78 335)**	**567 399**
Taxation*	(103 202)	14 949	(118 151)
Preference dividends accrued	(26 130)	–	(26 130)
Adjusted attributable earnings to ordinary shareholders	**359 732**	**(63 386)**	**423 118**
Adjusted earnings per share (pence)	41.3		48.6
Number of weighted average shares (million)	870.5		870.5
Cost to income ratio	66.4%		65.8%

* *Applying the group's effective taxation rate of 19.1%.*

Reconciliation from statutory summarised income statement to ongoing summarised income statement for the UK and Other Specialist Banking Business

For the year to 31 March 2017 £'000	UK and Other Specialist Banking statutory as disclosed	UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income/(expense)	284 701	(644)	285 345
Net fee and commission income/(expense)	227 932	(67)	227 999
Investment income	57 806	572	57 234
Share of post-taxation operating profit of associates	840	–	840
Trading income/(losses) arising from			
– customer flow	128 967	(5)	128 972
– balance sheet management and other trading activities	5 235	140	5 095
Other operating income	7 883	325	7 558
Total operating income before impairment losses on loans and advances	**713 364**	**321**	**713 043**
Impairment losses on loans and advances	(74 956)	(54 305)	(20 651)
Operating income/(loss)	**638 408**	**(53 984)**	**692 392**
Operating costs	(531 843)	(10 608)	(521 235)
Depreciation on operating leased assets	(2 141)	–	(2 141)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**104 424**	**(64 592)**	**169 016**
Profit attributable to other non-controlling interests	180	–	180
Operating profit/(loss) before taxation	**104 604**	**(64 592)**	**169 196**

For the year to 31 March 2016 £'000	UK and Other Specialist Banking statutory as disclosed	UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income	256 591	1 840	254 751
Net fee and commission income	189 513	3 285	186 228
Investment income	56 303	493	55 810
Trading income arising from			
– customer flow	92 348	(652)	93 000
– balance sheet management and other trading activities	(9 875)	(240)	(9 635)
Other operating income	10 797	–	10 797
Total operating income before impairment losses on loans and advances	**595 677**	**4 726**	**590 951**
Impairment losses on loans and advances	(84 217)	(68 148)	(16 069)
Operating income	**511 460**	**(63 422)**	**574 882**
Operating costs	(435 771)	(14 913)	(420 858)
Depreciation on operating leased assets	(2 149)	–	(2 149)
Operating profit before goodwill, acquired intangibles and non-operating items	**73 540**	**(78 335)**	**151 875**
Profit attributable to other non-controlling interests	4 503	–	4 503
Operating profit before taxation	**78 043**	**(78 335)**	**156 378**

Segmental geographical and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests – ongoing business

For the year to 31 March 2017 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	91 262	73 562	164 824	22.3%	24.8%
Wealth & Investment	65 190	28 053	93 243	8.8%	14.0%
Specialist Banking	169 196	285 226	454 422	11.0%	68.5%
	325 648	**386 841**	**712 489**	**13.1%**	**107.3%**
Group costs	(36 163)	(12 613)	(48 776)	6.5%	(7.3%)
Total group	**289 485**	**374 228**	**663 713**	**13.7%**	**100.0%**
Other non-controlling interest – equity			60 239		
Operating profit			**723 952**		
% change	**10.8%**	**16.0%**	**13.7%**		
% of total	**43.6%**	**56.4%**	**100.0%**		

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	76 853	57 930	134 783	23.1%
Wealth & Investment	63 127	22 608	85 735	14.7%
Specialist Banking	156 378	252 837	409 215	70.1%
	296 358	**333 375**	**629 733**	**107.9%**
Group costs	(35 160)	(10 645)	(45 805)	(7.9%)
Total group	**261 198**	**322 730**	**583 928**	**100.0%**
Other non-controlling interest – equity			35 201	
Operating profit			**619 129**	
% of total	**44.7%**	**55.3%**	**100.0%**	

A reconciliation of the UK and Other Specialist Banking's operating profit: ongoing vs statutory basis

£'000	31 March 2017	31 March 2016	% change
Total ongoing UK and Other Specialist Banking per above	**169 196**	**156 378**	**8.2%**
UK legacy remaining	(64 592)	(78 335)	17.5%
Total UK and Other Specialist Banking per statutory accounts	**104 604**	**78 043**	**34.0%**

Return on equity – ongoing basis

£'000	31 March 2017	31 March 2016	Average	31 March 2015	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 859 535	2 990 009	3 424 772	3 085 374	3 037 692
Goodwill and intangible assets (excluding software)	(490 841)	(503 996)	(497 419)	(494 111)	(499 054)
Adjusted tangible shareholders' equity	**3 368 694**	**2 486 013**	**2 927 353**	**2 591 263**	**2 538 638**

£'000	31 March 2017	31 March 2016
Operating profit*	723 952	619 129
Non-controlling interests	(80 530)	(51 730)
Accrued preference dividends, adjusted for currency hedge	(25 838)	(26 130)
Revised operating profit	**617 584**	**541 269**
Taxation on operating profit before goodwill and acquired intangibles	(130 438)	(118 151)
Adjusted attributable earnings to ordinary shareholders*	**487 146**	**423 118**
Pre-taxation return on average adjusted shareholders' equity	18.0%	17.8%
Post taxation return on average adjusted shareholders' equity	14.2%	13.9%
Pre-taxation return on average adjusted tangible shareholders' equity	21.1%	21.3%
Post taxation return on average adjusted tangible shareholders' equity	16.6%	16.7%

* *Before goodwill, acquired intangibles and non-operating items.*

A reconciliation of core loans and advances: statutory basis and ongoing basis

	Statutory as disclosed	UK Legacy business	Ongoing business
31 March 2017 (£'000)			
Gross core loans and advances to customers	22 906 165	577 717	22 328 448
Total impairments	(199 028)	(101 520)	(97 508)
Specific impairments	(136 177)	(71 095)	(65 082)
Portfolio impairments	(62 851)	(30 425)	(32 426)
Net core loans and advances to customers	**22 707 137**	**476 197**	**22 230 940**
31 March 2016 (£'000)			
Gross core loans and advances to customers	**18 305 365**	**704 448**	**17 600 917**
Total impairments	(186 550)	(121 353)	(65 197)
Specific impairments	(154 031)	(100 953)	(53 078)
Portfolio impairments	(32 519)	(20 400)	(12 119)
Net core loans and advances to customers	**18 118 815**	**583 095**	**17 535 720**

An analysis of core loans and advances to customers and asset quality by geography – ongoing business

£'000	UK and Other 31 March 2017	UK and Other 31 March 2016	Southern Africa 31 March 2017	Southern Africa 31 March 2016	Total group 31 March 2017	Total group 31 March 2016
Gross core loans and advances to customers	**8 169 901**	**7 242 345**	**14 158 547**	**10 358 572**	**22 328 448**	**17 600 917**
Total impairments	**(25 356)**	**(21 838)**	**(72 152)**	**(43 359)**	**(97 508)**	**(65 197)**
Specific impairments	(12 393)	(20 838)	(52 689)	(32 240)	(65 082)	(53 078)
Portfolio impairments	(12 963)	(1 000)	(19 463)	(11 119)	(32 426)	(12 119)
Net core loans and advances to customers	**8 144 545**	**7 220 507**	**14 086 395**	**10 315 213**	**22 230 940**	**17 535 720**
Average gross core loans and advances to customers	**7 706 123**	**6 810 208**	**12 258 560**	**10 274 998**	**19 964 683**	**17 085 206**
Total income statement charge for impairments on core loans and advances	**(20 690)**	**(17 806)**	**(36 580)**	**(25 576)**	**(57 270)**	**(43 382)**
Gross default loans and advances to customers	34 166	49 795	215 633	152 135	249 799	201 930
Specific impairments	(12 393)	(20 838)	(52 689)	(32 240)	(65 082)	(53 078)
Portfolio impairments	(12 963)	(1 000)	(19 463)	(11 119)	(32 426)	(12 119)
Defaults net of impairments before collateral held	**8 810**	**27 957**	**143 481**	**108 776**	**152 291**	**136 733**
Collateral and other credit enhancements	25 948	34 777	259 057	175 051	285 005	209 828
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios:						
Total impairments as a % of gross core loans and advances to customers	0.31%	0.30%	0.51%	0.42%	0.44%	0.37%
Total impairments as a % of gross default loans	74.21%	43.86%	33.46%	28.50%	39.03%	32.29%
Gross defaults as a % of gross core loans and advances to customers	0.42%	0.69%	1.52%	1.47%	1.12%	1.15%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.11%	0.39%	1.02%	1.05%	0.69%	0.78%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.27%	0.26%	0.29%	0.26%	0.29%	0.26%

The legacy business in the UK Specialist Bank comprises:

- Assets put on the bank's books pre-2008 where market conditions post the financial crisis materially impacted the business model
- Assets written prior to 2008 with very low/negative margins
- Assets relating to business we are no longer undertaking.

Legacy business – overview of results

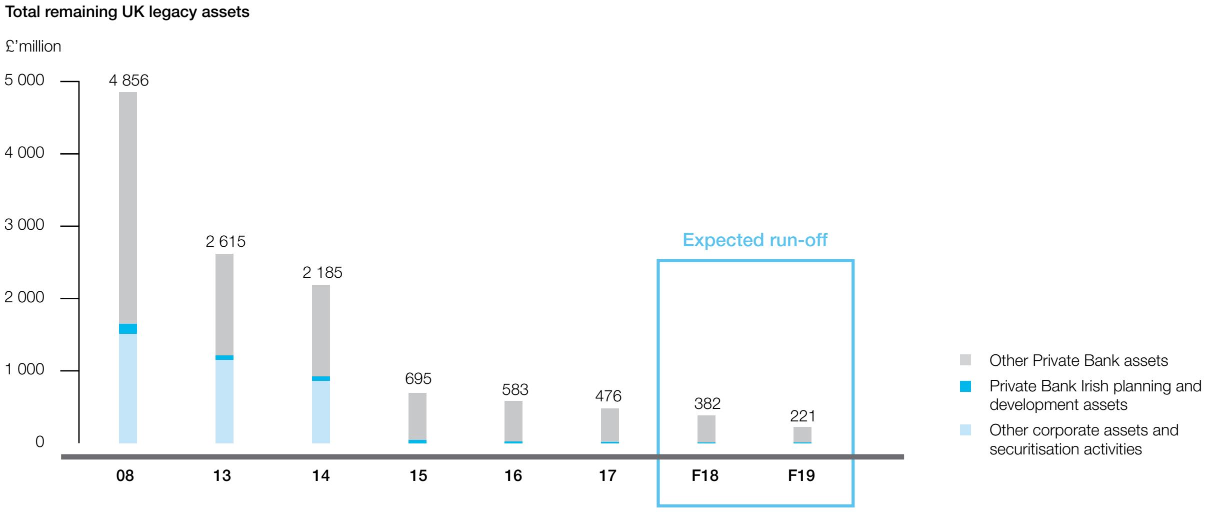
Since 31 March 2016 the group's legacy portfolio in the UK has continued to be actively managed down from £583 million to £476 million through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £64.6 million (2016: £78.3 million), with impairments reducing 20.3% from £68.1 million to £54.3 million. The remaining legacy portfolio will continue to be managed down. Given the uncertainty in the UK following the EU referendum, the legacy book could take longer to wind down than management's original expectation of two to four years. Total net defaults in the legacy book amount to £125 million (31 March 2016: £143 million).

An analysis of assets within the legacy business

£'million	31 March 2017 Total net assets (after impairments)	31 March 2017 Total balance sheet impairments	31 March 2016 Total net assets (after impairments)	31 March 2016 Total balance sheet impairments
Private Bank Irish planning and development assets	18	9	23	14
Other Private Bank assets	458	93	560	107
Total legacy assets	**476**	**102**	**583**	**121**
Performing	351	–	440	–
Non-performing	125	102*	143	121*

* *Included in balance sheet impairments is a group portfolio impairment of £30.4 million (31 March 2016: £20.4 million).*

Expected run-off of legacy assets



02

Divisional review

Investec is a focused specialist bank and asset manager striving to be distinctive in all that it does

Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active utilisation of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses. This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives.

Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses.

Asset Management

What we do

Equities
Fixed Income
Multi-Asset
Alternatives

Where we operate

Africa
Americas
Asia Pacific
Europe
UK

Wealth & Investment

What we do

Portfolio management
Stockbroking
Alternative investments
Investment advisory services
Electronic trading services
Retirement portfolios

Where we operate

Europe
Hong Kong
Mauritius
Southern Africa
UK

Specialist Banking

What we do

Private Banking activities
Corporate and Institutional Banking activities
Investment activities
Property activities
Group Services and Other activities

Where we operate

Australia
Europe
Hong Kong
India
Mauritius
Southern Africa
UK
USA

Integrated global management structure

Global roles

Chief executive officer	Stephen Koseff	**Executive director**	Hendrik du Toit
Managing director	Bernard Kantor	**Group risk and finance director**	Glynn Burger

GEOGRAPHICAL BUSINESS LEADERS

South Africa
Glynn Burger
Richard Wainwright

United Kingdom
David van der Walt
Steve Elliott

Specialist Banking

Ciaran Whelan
David van der Walt

Asset Management

Hendrik du Toit

Wealth & Investment

Steve Elliott

SUPPORT STRUCTURES

Human resources and organisational development
Marc Kahn

Corporate governance and compliance
Bradley Tapnack

Group finance
Nishlan Samujh

Share schemes and secretarial
Les Penfold

Asset Management

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

Global executive committee

Chief executive officer
Hendrik du Toit

Chief operating officer
Kim McFarland

Global head of client group
John Green

Co-chief investment officer
Domenico (Mimi) Ferrini

Co-chief investment officer
John McNab

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

Our investment team of over 195 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units. These teams are supported by our global operations platform.

Our value proposition

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

Annual highlights

Assets under management
£95.3 billion
(2016: £75.7 billion)

Net flows of
£(0.6) billion
(2016: £3.2 billion)

Operating margin
33.1%
(2016: 32.0%)

Operating profit before non-controlling interest increased by 22.3% to
£164.8 million
contributing 27.5% to group profit

What we do

Organisational structure

Investments

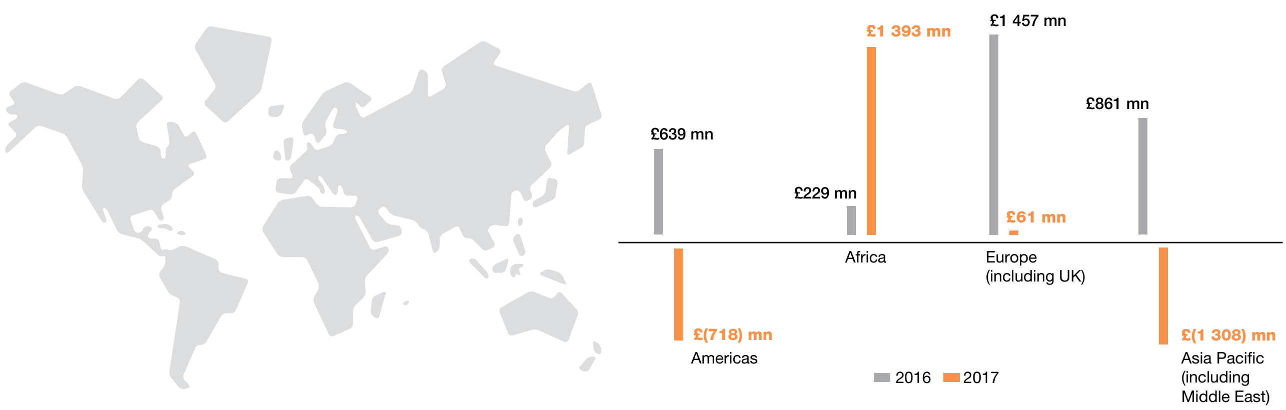
Equities	Fixed Income	Multi-Asset	Alternatives
– Global – Regional – Emerging	– Developed – Emerging – Multi-strategy – Absolute return	– Global/ Regional solutions – Income solutions	– Commodities – Private equity – Real estate – Infrastructure debt

Client groups

United Kingdom	Africa	Americas	Asia Pacific	Europe

Global operations platform

Where we operate



Net flows by geography

Financial years to 31 March 2016 and 31 March 2017
Note: The net flows exclude a historic low value cash plus account which is subject to volatile net flows.

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes. Investec Wealth & Investment is one of the UK's leading private client investment managers and the largest in South Africa.

Global head:
STEVE ELLIOTT

UK head: Jonathan Wragg
South Africa head: Henry Blumenthal
Switzerland head: Peter Gyger
Ireland head: Eddie Clarke

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

Investec Wealth & Investment is one of the UK's leading private client investment managers, the largest in South Africa, has a significant European presence and is developing its operations internationally.

Further detail on the Wealth & Investment management structure is available on our website: www.investec.com

Annual highlights

Assets under management
£54.8 billion
(2016: £45.5 billion)

Net inflows of
£1.2 billion
(2016: £2.1 billion)

Operating margin
25.9%
(2016: 26.4%)

Operating profit up 8.8% to
£93.2 million
contributing 15.6% to group profit

Our value proposition

- Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time
- Well-established platforms in the UK, South Africa, Switzerland, Republic of Ireland and Guernsey
- The business currently has four distinct channels: direct, intermediaries, charities and international, and is nearing completion of the development of its fifth 'online' distribution channel, Click & Invest
- Strategy to internationalise within jurisdictions where the Investec group already has an established business
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

What we do

UK and Other

Investment and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients
- Specialist portfolio management services for international clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes and life assurance.

Financial planning

- Succession planning
- ISAs
- Retirement planning.

The UK operation is conducted through Investec Wealth & Investment Limited. The other Wealth & Investment operations are conducted through Investec Bank Switzerland, Investec Wealth & Investment Ireland, Investec Wealth & Investment Channel Islands and in Hong Kong, through Investec Capital Asia Limited.

Over 1 300 staff operate from offices located throughout the above jurisdictions, with combined funds under management of £35.6 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

Southern Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts. Operating from eight offices across South Africa with R109.9 billion of discretionary and annuity managed assets and a further R212.4 billion of funds under various other forms of administration.

Where we operate

UK and Other

Brand well recognised

Established platforms in the UK, Switzerland, Republic of Ireland and Guernsey

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Developing Wealth & Investment capability in Hong Kong

South Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

Developing Wealth & Investment capability in Mauritius

Specialist expertise delivered with dedication and energy

Global heads:
DAVID VAN DER WALT
CIARAN WHELAN

The specialist teams are well positioned to provide services for both personal and business needs right across Investment, Corporate and Institutional Banking and Private Banking activities.

Our value proposition

- High-quality specialist banking solutions to corporate and private clients with leading positions in selected areas
- Provide high touch personalised service – supported by high tech and ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world – internationally mobile
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

Further detail on the Specialist Banking management structure is available on our website: www.investec.com

Annual highlights

Operating profit (ongoing)
up 11.0% to
£454.4 million

Operating profit (statutory)
up 17.8% to
£389.8 million

12.8%
ROE (pre-tax) (statutory)
(2016: 12.5%)

Loans and advances (statutory)
£22.7 billion

15.3%
ROE (pre-tax) (ongoing)
(2016: 16.1%)

Customer deposits (statutory)
£29.1 billion

What we do

High income and high net worth private clients	Corporates/government/institutional clients	
Private Banking activities	**Investment activities**	**Corporate and Institutional banking**
Transactional banking and foreign exchange **Lending** **Deposits** **Investments**	**Principal investments** **Property investment fund management**	**Treasury and trading services** **Specialised lending, funds and debt capital markets** **Institutional research sales and trading** **Advisory**
– Southern Africa – UK and Europe	– Australia – Hong Kong – Southern Africa – UK and Europe	– Australia – Hong Kong – India – Southern Africa – UK and Europe – USA

Where we operate

North America

Focus on advisory and institutional securities activities

UK and Europe

Brand well established

Sustainable specialist banking business focused on corporate and private banking

Hong Kong

Investment activities

India

Established a presence in 2010

Facilitates the link between India, UK and South Africa

South Africa

Strong brand and positioning

Leading position in corporate institutional and private client banking activities

Mauritius

Established in 1997

Focus on corporate institutional and private client banking activities

Australia

Experienced local teams in place with industry expertise

Focus is on entrenching position as a boutique operation

An analysis of net core loans over the period

Net core loans – Southern Africa

R'million	31 March 2017	31 March 2016	% change
Lending collateralised by property	**40 338**	**40 942**	**(1.5%)**
Commercial real estate	**36 381**	**37 584**	**(3.2%)**
Commercial real estate – investment	33 527	34 116	(1.7%)
Commercial real estate – development	1 868	2 375	(21.3%)
Commercial vacant land and planning	986	1 093	(9.8%)
Residential real estate	**3 957**	**3 358**	**17.8%**
Residential real estate – development	2 619	1 666	57.2%
Residential real estate – vacant land and planning	1 338	1 692	(20.9%)
High net worth and other private client lending	**117 737**	**104 117**	**13.1%**
Mortgages	61 324	55 723	10.1%
High net worth and specialised lending	56 414	48 394	16.6%
Corporate and other lending	**78 476**	**73 133**	**7.3%**
Acquisition finance	13 225	14 594	(9.4%)
Asset-based lending	5 788	5 068	14.2%
Fund finance	5 548	3 668	51.3%
Other corporates and financial institutions and governments	43 914	38 114	15.2%
Asset finance	2 697	4 081	(33.9%)
Small ticket asset finance	2 142	1 421	50.7%
Large ticket asset finance	555	2 660	(79.1%)
Project finance	6 414	6 424	(0.2%)
Resource finance	890	1 184	(24.8%)
Portfolio impairments	**(326)**	**(234)**	**39.3%**
Total net core loans	**236 225**	**217 958**	**8.4%**

Net core loans – UK and Other

£'000	31 March 2017	31 March 2016	% change
Lending collateralised by property	**1 893 121**	**2 078 935**	**(8.9%)**
Commercial real estate	**1 158 847**	**1 269 715**	**(8.7%)**
Commercial real estate – investment	924 770	1 079 225	(14.3%)
Commercial real estate – development	146 100	101 595	43.8%
Commercial vacant land and planning	87 977	88 895	(1.0%)
Residential real estate	**734 274**	**809 220**	**(9.3%)**
Residential real estate – investment	253 622	277 833	(8.7%)
Residential real estate – development	438 687	489 498	(10.4%)
Residential real estate – vacant land and planning	41 965	41 889	0.2%
High net worth and other private client lending	**1 592 671**	**1 452 792**	**9.6%**
Mortgages	1 227 640	1 145 641	7.2%
High net worth and specialised lending	365 031	307 151	18.8%
Corporate and other lending	**5 178 338**	**4 293 275**	**20.6%**
Acquisition finance	1 309 335	899 190	45.6%
Asset-based lending	333 731	296 389	12.6%
Fund finance	861 140	673 379	27.9%
Other corporates and financial institutions and governments	718 760	766 815	(6.3%)
Asset finance	1 481 601	1 199 470	23.5%
Small ticket asset finance	1 055 528	926 935	13.9%
Large ticket asset finance	426 073	272 535	56.3%
Project finance	463 958	449 266	3.3%
Resource finance	9 813	8 766	11.9%
Portfolio impairments	**(43 388)**	**(21 400)**	**>100%**
Total net core loans	**8 620 742**	**7 803 602**	**10.5%****

** *Currency neutral growth of approximately 6.6%.*

Additional information on the group's South African investment portfolio

	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
IEP Group	323	16	5 413	303
Equity investments^	130	–	2 177	(1)
Property investments*	260	22	4 361	399
Total equity exposures	713	38	11 951	701
Associated loans and other assets	36	2	612	36
Total exposures on balance sheet	**749**	**40**	**12 563**	**737**
Debt funded	351	(24)	5 893	(446)
Equity	398	–	6 670	–
Total capital resources and funding	**749**		**12 563**	
Operating profit before taxation**		**16**		**291**
Taxation		(3)		(53)
Operating profit after taxation		**13**		**238**
Risk-weighted assets	**2 510**		**42 099**	
Ordinary shareholders' equity held on investment portfolio – 31 March 2017	398		6 670	
Ordinary shareholders' equity held on investment portfolio – 31 March 2016	301		6 354	
Average ordinary shareholders' equity held on investment portfolio – 31 March 2017	349		6 512	
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2017		**3.7%**		
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2016		14.7%		
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2015		15.1%		

* *The group's investment holding of 27.86% in the Investec Property Fund and 16.57% in the Investec Australia Property Fund.*
^ *Does not include equity investments residing in our corporate and private client businesses.*
** *Further analysis of operating profit before taxation is provided in the table below:*

£'million	Total
Net interest (expense)/income	(52)
Net fee and commission income	80
Investment income	35
Share of post taxation operating profit of associates	16
Trading and other operating losses	(5)
Total operating income before impairment losses on loans and advances	**74**
Impairment losses on loans and advances	–
Operating income	**74**
Operating costs	(2)
Operating profit before goodwill, acquired intangibles and non-operating items	**72**
Profit attributable to other non-controlling interests	(56)
Operating profit before taxation	**16**

03

Risk management and corporate governace

Group Risk Management objectives are to:

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

Statement from the chairman of the group risk and capital committee

Philosophy and approach to risk management

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

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

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

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

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal risk, internal audit and compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. There are specialist divisions in the UK and South Africa and smaller risk divisions in other regions tasked with promoting sound risk management practices.

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

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy (as explained on page 14) and allow the group to operate within its risk appetite tolerance as set out on page 82.

This volume of our integrated annual report, explains in detail our approach to managing our business within our risk appetite tolerance, across all principal aspects of risk.

A summary of the year in review from a risk perspective

Executive management is intimately involved in ensuring stringent management of risk, liquidity, capital and conduct. We continue to seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests.

Although the operating environment continues to present challenges and political uncertainty in the group's core geographies, the group was able to maintain sound asset performance and risk metrics throughout the year in review. The group remained within the risk appetite limits/targets across the various risk disciplines, with only a few exceptions that were noted and approved by the board. Our risk appetite framework as set out on page 82 continues to be assessed in light of prevailing market conditions and group strategy.

In the year under review, the UK voted to leave the European Union. So far the UK economy has remained resilient, reflected in the levels of client activity we continue to see. We have benefited from increased customer flow transactions on the back of currency hedging activity in response to fluctuations in the Pound. We are closely monitoring political developments and considering any changes we may need to make to adapt to the new legal and regulatory landscape that emerges.

Investec Bank plc, the group's banking subsidiary in the UK, has a long-term rating of A2 (stable outlook) from Moody's and BBB (stable outlook) from Fitch. In April 2016, Investec plc's long-term issuer rating was upgraded one notch to Baa1 (stable outlook) from Baa2.

In South Africa, following the government cabinet reshuffle and change of Finance Minister, S&P downgraded South Africa's sovereign foreign currency credit rating by two notches to BB+ with a negative outlook and the local currency rating was lowered by one notch to BBB- with a negative outlook. Fitch downgraded South Africa's foreign currency and local currency ratings to BB+ with a stable outlook. Moody's announced that South Africa had been placed on review for a downgrade and they are still in a window period to announce a decision.

Following the sovereign downgrade, the larger local banks together with Investec Bank Limited's long-term foreign currency ratings were also downgraded and are now Baa2 from Moody's and BB+ from Fitch and S&P.

Our core loan book growth over the year in home currencies was 8.4% in South Africa, and 10.5% in the UK. On a currency neutral basis, excluding the sharp depreciation of the Pound following the Brexit referendum, growth in the UK book was approximately 6.6%. Growth in our books has been diversified across our residential owner-occupied mortgage portfolios, private client and corporate client lending portfolios, with loan to values at conservative levels and gross asset margins broadly in line with the prior year.

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

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet; showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book. Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 13% of the book, other lending collateralised by property 6%, high net worth and private client lending 38% and corporate lending 43% (with most industry concentrations well below 5%).

The group has minimal exposure to the agriculture sector in South Africa, and our overall group exposure to mining and resources amounts to 2% of our credit and counterparty exposures.

Overall net defaults of the group are at a manageable level, amounting to 6.8% and 8.7% of our tier 1 equity in Investec Limited and Investec plc respectively, with total impairments amounting to 15.7% of our group pre-provision income. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.22% (2016: 1.54%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.63 times (2016: 1.35 times).

We reported an increase in the level of impairments taken on our South African portfolio, but remain comfortable with the overall performance of the book, as the credit loss ratio amounts to 0.29%. We reported a moderate increase in defaults which was attributable to a few clients who experienced financial difficulty. We did not however, experience 'stress' across the portfolio as these defaults were in unrelated sectors. Increases in interest rates over the past two years in South Africa have had little impact on the performance of our book, as our target market is less sensitive to the moderate interest rate moves incurred to date. A tough macro-economic environment, volatile markets and political uncertainty have also destabilised the environment. Given the weaker growth outlook in South Africa, it is likely that defaults could increase further, although we would still expect our credit loss ratio to remain within our long-term average trend of 30bps to 40bps.

In the UK, the asset quality trends continue to reflect the solid performance of the book. Gross defaults in the UK, predominantly relating to legacy exposures, decreased to £260 million from £314 million at 31 March 2016. Impairments on our legacy portfolio continue to reduce from £68 million to £54 million with the credit loss ratio in our UK and other businesses improving to 0.90%. Impairments on our core 'ongoing' UK and Other book remain low and make up only 0.27% (£21 million) of the credit loss ratio.

Our legacy portfolio in the UK has been actively reduced from £583 million at 31 March 2016 to £476 million largely through asset sales, redemptions and write-offs. Non-performing exposures are significantly impaired and total net defaults in the legacy book amount to £125 million.

The remaining legacy portfolio will continue to be managed down, although given the uncertainty in the UK, this could take longer than management's original expectation of two to four years.

Our investment portfolios in the UK and South Africa delivered a sound performance. Overall, we remain comfortable with the performance of the major portion of our equity investment portfolios which comprise 4.2% of total assets.

Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Proprietary risk is limited. Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.1% of total operating income.

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. Current priorities in the UK include the link between remuneration and conduct, as well as how we measure risk culture and the risk assessment process from a conduct perspective.

Financial and cybercrime remain high priorities, and Investec continually aims to strengthen its systems and controls in order to manage cyber risk as well as meet its regulatory obligations to combat money laundering, bribery and corruption.

Investec has continued to maintain a sound balance sheet with a low gearing ratio of 9.5 times and a core loans to equity ratio of 4.7 times. Our current leverage ratios for Investec Limited and Investec plc are at 7.3% and 7.8% respectively.

We have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. Investec plc's common equity tier 1 ratio improved to 11.3% at 31 March 2017 while Investec Limited's was 9.9%, just shy of our 10% target for common equity tier 1. Capital continued to grow and we are comfortable that credit growth is in line with our risk appetite framework and supported by sound risk metrics. We believe that a common equity tier 1 ratio in excess of 10% is appropriate for our businesses, given our sound leverage ratios and we will continue to build our business in a manner that achieves this target.

In South Africa, we have applied to the SARB for approval of our advanced internal ratings approach (AIRB). Subject to the SARB approval, we expect to implement AIRB in 2018 for the purpose of calculating credit risk regulatory capital. Through the preparation process for the application Investec has enhanced a number of rating systems and risk quantification models. Since AIRB was operationalised we have seen significant benefits from using these rating systems in the management of credit risk and the quantification of internal capital. In addition we are expecting a positive impact on capital ratios in applying this approach.

In December 2016, the Bank of England (BoE) set the preferred resolution strategy for Investec Bank plc as the bank insolvency (special administration) procedure under the Investment Bank Special Administration Regulations 2011 – otherwise known as 'modified insolvency'. As the resolution strategy is 'modified insolvency', the BoE has therefore set Investec Bank plc's MREL requirement as equal to its regulatory capital requirements.

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth. Cash and near cash balances amounted to £12.0 billion at year end, representing 41.4% of customer deposits.

We conservatively increased our liquidity levels in the UK ahead of the Brexit referendum in June 2016, and during the second half of the year, we managed this down through a combination of asset growth and liability management to achieve largely normalised balance sheet liquidity levels by 31 March 2017. Our weighted average cost of funding over the year continued to reduce. The LCR reported to the PRA at 31 March 2017 was 654% for Investec plc and 616% for Investec Bank plc (solo basis). Based on our own interpretations and in line with the BCBS' final recommendations (BCBS 295), Investec plc and Investec Bank plc (solo basis) comfortably exceed the 100% minimum level for the NSFR.

In South Africa, we maintained a strong liquidity position and continued to hold high levels of surplus liquid assets. During the past financial year the liquidity risk profile of the balance sheet has improved. Investec grew its total customer deposits by 8.5% from R280 billion to R303 billion at 31 March 2017. Our Private Bank and Cash Investments fund raising channels grew deposits by 13% to R124 billion over the financial year. Over the same period the wholesale channels remained flat at R179 billion. This included several successful senior unsecured bond issues totalling R4.6 billion. As a result Investec Limited decreased its reliance on wholesale funding from 60.7% to 59.1% over the financial year.

The impact on our liquidity ratios was positive. The three month average LCR for Investec Bank Limited solo increased from 117.3% to 130.0% which is well above the minimum level of 80% required. By January 2019 the LCR minimum requirement moves to 100% and we remain confident of our ability to comfortably exceed this requirement whilst continuing to meet planned asset growth targets. The NSFR will also have to exceed 100% by January 2018. We are well positioned to meet this regulatory liquidity measure as currently our ratios exceed this requirement.

In South Africa, eighteen banks including Investec Limited, have been cited on allegations of collusion in relation to foreign exchange. Despite seeking further details of what the precise allegations are against us, we have not yet received the relevant information. The Competition Commission's case against Investec Limited is confined to the alleged conduct of a single trader. This particular trader dealt with interbank clients. Revenue from forex trading activities has averaged below 1% of the South African bank's total revenues over the past 10 years. At Investec, sound corporate governance is embedded in our values, culture, processes, functions and organisational structure. Our values require, *inter alia*, that employees behave with integrity and treat customers fairly. Investec does not tolerate any behaviour in contravention of its value system, the law or regulatory requirements including the Competition Act, the FX Market Code of Conduct or the applicable internal Investec policies. Investec actively monitors compliance with these requirements including compliance with the relevant South African Reserve Bank Code of Conduct with respect to, *inter alia*, conducting over-the-counter and FX transactions.

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

During the year, a number of new stress scenarios were considered and incorporated into our processes. These included, for example, the impact of a global trade war resulting from political shifts in advanced economies towards protectionist policies; and a potential Brexit downside case.

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

Our viability statement is provided on pages 97 to 98.

Conclusion

The current regulatory, political and economic environment continues to provide new challenges to our business, however, we are comfortable that we have robust risk management processes and systems in place which provide a strong foundation to the board and the business to manage and mitigate risks within our risk appetite tolerance framework.

Signed on behalf of the board

Stephen Koseff

Chairman of the group risk and capital committee

13 June 2017

The group maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year

Geographic summary of the year in review from a risk perspective

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 32 to 37.

UK and Other

Credit risk

We continue to realign and rebalance our portfolio in line with our stated risk appetite, which is reflected in the growth in corporate client exposures and private client mortgages and the decline in lending collateralised by property exposures as a percentage of overall portfolio. Continued progress has been made during the year in our strategic portfolio rebalancing through active portfolio management and the consistent adherence to our risk appetite statement.

Underlying core assets continue to perform well. Net core loans and advances increased by 10.5% from £7.8 billion at 31 March 2016 to £8.6 billion at 31 March 2017.

The improving asset quality trends continue to reflect the solid performance of the book. Default loans (net of impairments) have decreased from 2.19% to 1.55% of core loans and advances. The credit loss ratio is at 0.90% (2016: 1.13%), impacted by further impairments on the legacy portfolio. Impairments on our core 'ongoing' UK and Other book remain low and make up only 0.27% (£21 million) of the credit loss ratio.

Traded market risk

We continue to manage to a very low level of market risk with VaR at £0.5 million at 31 March 2017. We continue to see strong growth in client activity across the interest rate and foreign exchange corporate sales desks within Treasury Products and Distribution.

Market risk exposures across all asset classes have on average remained low throughout the year.

Volatility in the forex markets post Brexit resulted in increased client activity and interest rate hedging was again supported by good client-driven deal flow.

Balance sheet risk

Cash and near cash balances at 31 March 2017 amounted to £5.0 billion (2016: £5.1 billion) with total UK customer deposits increasing by 2.0% to £11.0 billion (2016: £10.8 billion). The LCR reported to the PRA at 31 March 2017 was 654% for Investec plc and 616% for Investec Bank plc (solo basis). Based on our own interpretations and in line with the BCBS' final recommendations (BCBS 295), Investec plc and Investec Bank plc (solo basis comfortably exceed the 100% minimum level for the NSFR.

Southern Africa

Credit risk

Net core loans and advances grew by 8.4% to R236 billion at 31 March 2017 with residential owner-occupied, private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances amounted to 1.02% with absolute levels of defaults increasing moderately over the year in relation to a few clients who experienced financial difficulty.

Traded market risk

We continue to manage to a very low level of market risk with VaR at R4.5 million at 31 March 2017. Investec remains focused on facilitating the near-term demand of our clients and the trading desks benefited from the volatility in the markets during the year. All trading areas have kept market risk exposures at low levels throughout the year.

Balance sheet risk

We maintained a strong liquidity position and continued to hold high levels of surplus liquid assets. During the past financial year the liquidity profile of the balance sheet has improved. Our total customer deposits grew by 8.5% from R280 billion to R303 billion at 31 March 2017. Cash and near cash balances decreased by 5.9% from 1 April 2016 to R118 billion at 31 March 2017. Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 130.0%, which is well ahead of the minimum regulatory level of 80% required.

Salient features

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

	UK and Other		Southern Africa		Investec group	
Year to 31 March	2017 £	2016 £	2017 R	2016 R	2017 £	2016 £
Net core loans and advances (million)	8 621	7 804	236 225	217 958	22 707	18 119
Total assets (excluding assurance assets) (million)	18 652	18 489	456 836	445 239	45 807	39 505
Total risk-weighted assets (million)	13 312	12 297	329 808	309 052	32 979^	26 923^
Total equity (million)	2 032	1 881	46 571	41 851	4 809	3 859
Cash and near cash (million)	5 026	5 082	117 586	124 907	12 038	10 994
Customer accounts (deposits) (million)	11 013	10 801	303 470	279 820	29 109	24 044
Gross defaults as a % of gross core loans and advances	2.98%	3.95%	1.52%	1.47%	2.08%	2.55%
Defaults (net of impairments) as a % of net core loans and advances	1.55%	2.19%	1.02%	1.05%	1.22%	1.54%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	–	–	–	–
Credit loss ratio*	0.90%	1.13%	0.29%	0.26%	0.54%	0.62%
Structured credit as a % of total assets**	1.87%	1.92%	0.40%	0.17%	1.00%	0.99%
Banking book investment and equity risk exposures as a % of total assets**	3.33%	3.56%	4.75%	4.16%	4.15%	3.88%
Level 3 (fair value assets) as a % of total assets**	3.65%	3.63%	0.83%	0.63%	1.99%	2.06%
Traded market risk: one-day value at risk (million)	0.5	0.5	4.5	4.8	n/a	n/a
Core loans to equity ratio	4.2x	4.1x	5.1x	5.2x	4.7x	4.7x
Total gearing ratio^^	9.2x	9.8x	9.8x	10.6x	9.5x	10.2x
Loans and advances to customers to customer deposits	78.2%	72.2%	75.0%	74.6%	76.2%	73.5%
Capital adequacy ratio##	15.1%	15.1%	14.1%	14.0%	n/a	n/a
Tier 1 ratio##	11.5%	10.7%	10.7%	10.7%	n/a	n/a
Common equity tier 1 ratio##	11.3%	9.7%	9.9%	9.6%	n/a	n/a
Leverage ratio – current##	7.8%	7.0%	7.3%	6.9%	n/a	n/a
Return on average assets#	0.92%	0.71%	1.04%	1.15%	1.02%	0.93%
Return on average risk-weighted assets#	1.36%	1.10%	1.46%	1.61%	1.45%	1.34%

* *Income statement impairment charge on core loans as a percentage of average advances.*
** *Total assets excluding assurance assets.*
^ *The group numbers have been 'derived' by adding Investec plc and Investec Limited (Rand converted into Pounds Sterling) numbers together.*
^^ *Total assets excluding assurance assets to total equity.*
# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.*
The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividend totalling £60 million for Investec plc and £35 million for IBP would be 45bps and 28bps lower respectively.

Certain information is denoted as n/a as these statistics are not applicable at a consolidated group level and are best reflected per banking entity or jurisdiction in line with regulatory and other requirements; or were not previously disclosed.

Overall group risk appetite

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

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

Risk appetite and tolerance metrics	Positioning at 31 March 2017
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities contributed 56% to total operating income and capital intensive activities contributed 44%
• We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 72.0% of total operating income.
• We seek to maintain strict control over fixed costs and target a group cost to income ratio of below 65%	The cost to income ratio amounted to 66.3%.
• We aim to build a sustainable business generating sufficient return to shareholders over the longer term, and target a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The return on equity amounted to 12.5% and our return on risk-weighted assets amounted to 1.45%.
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target; refer to page 52 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0%	Investec plc meets all these targets; Investec Limited has met the total capital targets but its common equity tier 1 ratio was 9.9%. Capital has grown over the period. Refer to page 52 for further information.
• We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 7.5% for Investec plc total common equity tier 1 and 5% of tier 1 capital for Investec Limited (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in the group's main operating geographies (i.e. South Africa and UK). The group will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography	Refer the Investec 2017 integrated annual report
• We target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/ stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/ stressed scenario)	The credit loss charge on core loans amounted to 0.54% and defaults net of impairments amounted to 1.22% of total core loans. Refer to the Investec 2017 integrated annual report
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to £12.0 billion representing 41.4% of customer deposits. Refer to the Investec 2017 integrated annual report
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million for Investec Limited and less than £5 million for Investec plc	We meet these internal limits; refer to the Investec 2017 integrated annual report
• We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of tier 1 capital for our unlisted principal investment portfolio for Investec plc. For Investec Limited, a risk tolerance of less that 12.5% has been set, excluding the IEP Group.	Our unlisted investment portfolios amounted to R4 066 million and £383 million for Investec Limited (excluding the IEP group) and Investec plc respectively, representing 11.5% of total tier 1 for Investec Limited and 25.0% for Investec plc. Refer to the Investec 2017 integrated annual report
• Our operational risk management teams focus on improving business performance and compliance with regulatory requirements through review, challenge and escalation. We have heightened focus on financial and cybercrime	Refer to the Investec 2017 integrated annual report
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to the Investec 2017 integrated annual report

"Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure"

Chairman's introduction

Dear Shareholder

I am pleased to present the annual corporate governance report for the year ended 31 March 2017, which describes our approach to corporate governance. For the purposes of this report, the boards of Investec plc and Investec Limited will be referred to as the board.

Before looking into the detail of our governance framework, I would like to make some comments on where the board's attention has been focused over the past year, how it has delivered against its priorities and where attention will be placed in the year ahead.

The past year in focus

In an uncertain and volatile world, Investec's culture and values continue to support the organisation in achieving its strategic objectives. Our client focus and entrepreneurial spirit have continued to be front of mind over the past year with Investec remaining committed to its UK businesses, despite the uncertain implications of the UK's exit from the European Union. The board and management have sought to develop a strategy for the group which is balanced in terms of managing the risks presented in these uncertain times and positioning for future opportunities as they arise.

Strategic initiatives

The board has continued to exercise leadership, integrity and judgement in pursuit of Investec's strategic goals and objectives. In terms of positioning for future opportunities, two areas of particular focus have been the digitisation of our product offering and the continued growth of our private client business in the UK. Both of these strategic initiatives were discussed and debated at the board's annual strategy session, which was held in February 2017, and are ongoing areas of discussion at board meetings.

Board effectiveness

The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. The board therefore undertakes an evaluation of its performance and that of its committees and individual directors annually, with independent external input into the process every third year. Given the 2016 effectiveness review was conducted by an independent external facilitator, Professor Rob Goffee, this year the board effectiveness review was internally facilitated. No material issues were identified in this process, however, the findings of Professor Goffee's report continued to provide a useful benchmark for assessing the development of the board in terms of the areas that were identified for improvement. One such area was the bedding down of the board's composition, following the refreshment programme which had been coordinated between 2013 and 2016. Feedback from the 2017 board effectiveness review indicated improved board dynamics and, as such, the refreshment programme will recommence with Peter Thomas stepping down from the board immediately following the annual general meeting on 10 August 2017.

Management succession

The board, working closely with the nominations and directors' affairs committee (nomdac), continues to drive and monitor succession planning. It is vital that there are robust succession plans in place for all key positions throughout the organisation.

Shareholder engagement

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

Priorities for the year ahead

We approach the year ahead with confidence in our leadership and strategy. With that said, management succession will continue to be an area of focus for the board in the year ahead and more particularly, the ongoing transition of leadership roles within the organisation.

The board of Investec Bank plc established its own governance arrangements and a key focus area for the group will be to ensure that these governance arrangements are embedded into the group's broader governance structure.

Conclusion

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

Fani Titi
Chairman

13 June 2017

Who we are

Governance framework

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

From a legal perspective, the DLC is comprised of:

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

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

Board roles

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

Chairman	Chief executive officer and managing director	Group risk and finance director
Fani Titi	*Stephen Koseff and Bernard Kantor*	*Glynn Burger*
• Responsible for setting the board agenda, ensuring that there is sufficient time available for discussion of all items • Encourages open and honest debate between all board directors • Leads and manages the dynamics of the board, providing direction and focus • Ensures that the board sets the strategy of the group and assists in monitoring progress towards achieving the strategy • Performs director evaluations • Serves as the primary interface with regulators and other stakeholders on behalf of the board	• Responsible for leading and managing the group within the authorities delegated by the board • Ensures that the board receives information that is accurate, timely and clear to enable the directors to perform their duties effectively	• Responsible for ensuring that the group's risk management processes are effective • Leads and manages the group finance function • Provides the board with updates on the group's financial performance
Senior independent director	**Non-executive directors**	**Company secretaries**
Perry Crosthwaite	*Zarina Bassa, Laurel Bowden, Cheryl Carolus, David Friedland, Charles Jacobs, Ian Kantor, Lord Malloch-Brown KCMG, Khumo Shuenyane and Peter Thomas*	*David Miller and Niki van Wyk*
• Available to address any concerns or questions from shareholders and non-executive directors • Provide a sounding board to the chairman • Leads the board in the assessment of the effectiveness of the chairman	• Bring unique perspectives to the boardroom to facilitate constructive debate on proposals • Assist in developing the group's strategy • Monitor the performance of management against their agreed strategic goals • Ensure the effectiveness of internal controls and the integrity of financial reporting • Monitor executive performance	• Responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures • Minute all board and committee meetings to record the deliberations and decisions taken therein • Ensures that the board complies with relevant legislation and regulation, including Listings Requirements

Corporate governance

(continued)

Director biographies

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

Fani Titi, chairman

Age: 55

Qualifications
BSc (Hons), MA, MBA

Relevant skills and experience
Fani is chairman of Investec Bank Limited, Investec Bank plc, former chairman of Tiso Group Ltd and former deputy chairman of the Bidvest Group.

He is an experienced non-executive director and chairman, having served on the boards of some of South Africa's largest corporates.

Other principal appointments
Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Ltd, Kumba Iron Ore Ltd (chairman), MRC Media (Pty) Ltd and other Investec subsidiaries.

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

Date of appointment
Investec Limited and Investec plc 30 January 2004

Stephen Koseff, group chief executive officer

Age: 65

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

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

Other principal appointments
Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

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

Date of appointment
Investec Limited 6 October 1986
Investec plc 26 June 2002

Bernard Kantor, managing director

Age: 67

Qualifications
CTA

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

Other principal appointments
Phumelela Gaming and Leisure Ltd, Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

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

Date of appointment
Investec Limited 9 June 1987
Investec plc 19 March 2002

Glynn R Burger, group risk and finance director

Age: 60

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

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

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

Committees
DLC board risk and capital and DLC capital.

Date of appointment
Investec Limited 03 July 2002
Investec plc 03 July 2002

Hendrik J du Toit, Investec Asset Management chief executive officer

Age: 55

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

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

Other principal appointments
Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Ltd as well as their subsidiaries. Non-executive Director of Naspers Ltd. Hendrik also serves on the Global Business Commission for Sustainable Development.

Committees
None

Date of appointment
Investec Limited 15 December 2010
Investec plc 15 December 2010

Perry KO Crosthwaite, senior independent director

Age: 68

Qualifications
MA (Hons) in modern languages

Relevant skills and experience
Perry is a former chairman of Investec Investment Banking and Securities.

Other principal appointments
Investec Bank plc, Investec Holdings (Ireland) Ltd (chairman) and Investec Capital and Investments (Ireland) Ltd.

Committees
DLC remuneration (chairman) and DLC nominations and directors' affairs.

Date of appointment
Investec Limited 18 June 2010
Investec plc 18 June 2010

Corporate governance

(continued)

Zarina BM Bassa, independent non-executive director

Age: 53

Qualifications
BAcc, DipAcc, CA(SA)

Relevant skills and experience
Zarina is a former partner of Ernst & Young Inc., she joined the Absa Group in 2002 and was an executive director and a member of the bank's executive committee, with accountability for private banking. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a member of the JSE GAAP Monitoring Panel.

Other principal appointments
The Financial Services Board, Oceana Group Ltd, Sun International Ltd, Vodacom (Pty) Ltd and Woolworths Holdings Ltd, and a number of Investec subsidiaries.

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

** Appointed as chair on 1 April 2017*

Date of appointment
Investec Limited 1 November 2014
Investec plc 1 November 2014

Laurel C Bowden, independent non-executive director

Age: 52

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

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

Committees
DLC audit, Investec plc audit and Investec Bank plc audit and Investec Limited and Investec Bank Limited audit.

Date of appointment
Investec Limited 1 January 2015
Investec plc 1 January 2015

Cheryl A Carolus, independent non-executive director

Age: 59

Qualifications
BA (Law), Honorary doctorate in Law

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

Other principal appointments
De Beers Consolidated Mines Ltd, Gold Fields Ltd (chair), Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business Group (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Ltd, executive chairperson of Peotona Group Holdings (Pty) Ltd (chair) and director of a number of the Peotona group companies and International Crisis Group.

Committees
DLC social and ethics.

Date of appointment
Investec Limited 18 March 2005
Investec plc 18 March 2005

David Friedland, independent non-executive director

Age: 64

Qualifications
BCom, CA(SA)

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

Other principal appointments
Investec Bank Limited, Investec Bank plc, The Foschini Group Ltd, Pick n Pay Stores Ltd and Pres Les (Pty) Ltd.

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

** David resigned from these committees with effect from 1 April 2017.*

Date of appointment
Investec Limited 1 March 2013
Investec plc 1 March 2013

Charles R Jacobs, independent non-executive director

Age: 50

Qualifications
LLB

Relevant skills and experience
Charles brings to the board a valuable combination of knowledge of the UK regulatory and corporate governance standards, global capital markets and M&A. Charles was elected as chairman and senior partner at the global law firm Linklaters LLP in October 2016, having been appointed a partner in 1999, and has over 26 years of experience of advising companies around the world, including in relation to their legal and regulatory requirements. Charles sits on the board of Fresnillo plc, a FTSE 100 company, and is chairman of their remuneration committee. Charles chairs the Linklaters Partnership Board and holds an LLB from Leicester University.

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

Committees
DLC remuneration.

Date of appointment
Investec Limited 8 August 2014
Investec plc 8 August 2014

Ian R Kantor, non-executive director

Age: 70

Qualifications
BSc (Eng), MBA

Relevant skills and experience
Ian is co-founder of Investec, served as the chief executive of Investec Bank Limited until 1985 and was the former chairman of Investec Holdings Ltd. Ian is currently a non-executive director on the boards of Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited.

Other principal appointments
Chairman of Blue Marlin Holdings SA (formerly Insinger de Beaufort Holdings SA (in which Investec Ltd indirectly holds an 8.6% interest) and chairman of the Supervisory Board of Bank Insinger de Beaufort NV.

Committees
None

Date of appointment
Investec Limited 30 July 1980
Investec plc 26 June 2002

Lord Malloch-Brown KCMG, independent non-executive director

Age: 63

Qualifications
BEcon, CA(England & Wales)

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

Other principal appointments
Seplat Petroleum Development Company plc and Smartmatic Ltd.

Committees
DLC social and ethics.

Date of appointment
Investec Limited 8 August 2014
Investec plc 8 August 2014

Khumo L Shuenyane, independent non-executive director

Age: 46

Qualifications
BEcon, CA(England & Wales)

Relevant skills and experience
Khumo is a partner at Delta Partners, an advisory firm headquartered in Dubai and focused on the telecoms, technology and digital sectors across emerging markets. He also serves on the boards of Investec Bank Limited and Investec Property Fund Ltd. Between 2007 and 2013 Khumo served as Group Chief Mergers & Acquisitions Officer for MTN Group Ltd and was a member of its Group Executive Committee.

Khumo was previously head of Principal Investments at Investec Bank Limited. Prior to taking responsibility for the Principal Investments division in 2005, Khumo was a member of Investec's Corporate Finance division for 7 years.

Prior to joining Investec in 1998 Khumo worked for Arthur Andersen for six years from 1992. He completed his articles during his first three years with the firm in Birmingham, England, qualifying as a member of the Institute of Chartered Accountants in England & Wales in 1995. He subsequently transferred to the firm's Johannesburg office where he worked for a further three years before joining Investec.

Other principal appointments
Investec Life Limited, Investec Specialist Investments (RF) Limited and Investec Property Fund Ltd, Investec Employee Benefits Ltd.

Committees
DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit and DLC board risk and capital.

Date of appointment
Investec Limited 8 August 2014
Investec plc 8 August 2014

Peter RS Thomas, independent non-executive director

Age: 72

Qualifications
CA(SA)

Relevant skills and experience
Peter served as the Managing Director of The Unisec Group Ltd. Peter has broad experience in finance and various industrial companies. He also has an extensive background in commercial accounting.

Other principal appointments
Other directorships include: Investec Bank Limited, various Investec subsidiaries, JCI Ltd and various unlisted companies

Committees
DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit, DLC nominations and directors' affairs and DLC social and ethics. He is also a member of the audit and risk committees in Mauritius, Australia and the USA.

Date of appointment
Investec Limited 29 June 1981
Investec plc 26 June 2002

Board composition

Independence

- As at 31 March 2017, the board is compliant with Principle B.1.2 of the UK Corporate Governance Code in that at least half the board, excluding the chairman, comprises independent non-executive directors.
- As at 31 March 2017, the board is compliant with Chapter 2, Principle 2.18 of King III in that the majority of non-executive directors are independent.

A summary of the factors the board uses to determine the independence of non-executive directors are detailed below:

Relationships and associations

- Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian is also the founder and was previously chief executive officer of Investec. Accordingly, the board concluded that Ian could not be considered independent under the UK Corporate Governance Code and King III.
- Prior to joining the board on 1 March 2013, David Friedland was a partner of KPMG Inc. KPMG Inc along with Ernst & Young Inc, are joint auditors of Investec Limited. The board concluded that, notwithstanding his previous association with KPMG Inc, David retains independence of judgement given he was never Investec Limited's designated auditor or relationship partner and was not involved with its Investec account.
- Charles Jacobs is the chairman and senior partner of the global law firm Linklaters LLP, having been appointed on 1 October 2016. Linklaters is currently one of the Investec's UK legal advisors. The board concluded that, notwithstanding his association with Linklaters, Charles retains independence of judgement. Selection of legal advisors is not a board matter and is decided at the management level. If any decision were to be made at the board level regarding Linklaters, which has not happened to date, Charles would recuse himself in accordance with the provisions of the relevant Companies Act relating to directors' interests. Where advice is provided by Linklaters to Investec, it is provided by separate Linklaters partners and not Charles. The legal fees paid to Linklaters have not been material either to Linklaters or Investec.

Tenure

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

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

Accordingly, the board has concluded that Cheryl Carolus and Peter Thomas, despite having been directors of Investec for nine years or more, retain both financial independence and independence of character and judgement. Peter Thomas will not be standing for re-election at the annual general meeting on 10 August 2017.

Notwithstanding the guidelines set out in the UK Corporate Governance Code and King III, the board is of the view that these non-executive directors are independent of management and promote the interest of stakeholders. The balance of the executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision-making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at credit

David Friedland and Peter Thomas regularly attend, by invitation, certain credit committees of the group dealing with large exposures requiring sign off by non-executive directors in terms of the delegation of authority. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business.

Independence

Chairman	1
Non-independent non-executives	1
Independent non-executive	9
Executives	4

67% of board independent

Balance of non-executive and executive directors:

Pre-2017 AGM

Executive	27%
Non-executive	73%

Post-2017 AGM

Executive	29%
Non-executive	71%

Terms of appointment

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

Independent advice

Through the senior independent director or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2017 financial year.

Company secretaries

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

In compliance with the JSE Listing Requirements, the board has considered and is satisfied that each of the company secretaries is competent, has the relevant qualifications and experience and maintains an arm's-length relationship with the board. In evaluating these qualities, the board has considered the prescribed role and duties pursuant to the requirements codified in the South African and UK Companies Acts and the listings and governance requirements as applicable.

In addition, the board confirms that for the period 1 April 2016 to 31 March 2017 neither of the company secretaries served as directors on the board nor did they take part in board deliberations and only advised on matters of governance, form or procedure.

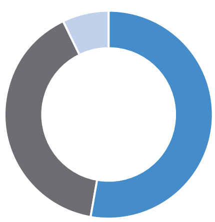
Diversity

Age

40 – 50	13%
51 – 60	40%
61 and above	47%

Aspirational target: Per the Hampton – Alexander Review: Good progress has been made towards the target of 33% female representation by 2020 which continues to be a priority.

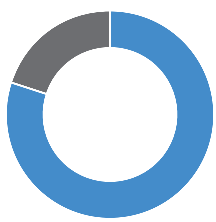
Geographical mix:



South Africa	53%
UK	40%
Other	7%

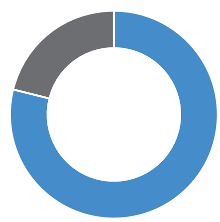
Board gender balance:

Pre-2017 AGM



Male	80%
Female	20%

Post-2017 AGM



Male	79%
Female	21%

Tenure

Average length of service pre-2017 AGM: 11

(Length of service by band) for non-executive directors

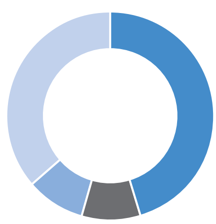
Average length of service post-2017 AGM: 8

(Length of service by band) for non-executive directors

UK Corporate Governance recommendation:

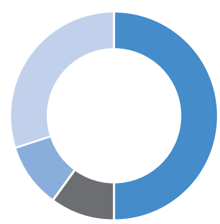
Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

Pre-2017 AGM: **Average tenure**



0 — 3 years	5
3 — 6 years	1
6 — 9 years	1
9 years plus	4

Post-2017 AGM: **Average tenure**



0 — 3 years	5
3 — 6 years	1
6 — 9 years	1
9 years plus	3

What we did

Board report

Role

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

- Approving the group's strategy
- Acting as a focal point for, and custodian of corporate governance
- Providing effective leadership on an ethical foundation
- Ensuring the group is a responsible corporate citizen
- Being responsible for the governance of risk, including risks associated with information technology
- Ensuring the group complies with the applicable laws and considers adherence to non-binding rules and standards
- Monitoring performance.

The board

Investec plc and Investec Limited

Meeting schedule and attendance

The boards of Investec plc and Investec Limited meet jointly at least six times annually, excluding the annual two-day board strategy session. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure.

Furthermore, during the year ended 31 March 2017, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa, respectively. Unscheduled meetings are called as the need arises.
Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

How the board spent its time

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

Composition

Members throughout the year	Independent	Board member since: Investec plc	Board member since: Investec Limited	Investec plc (7 meetings in the year): Eligible to attend	Investec plc: Attended	Investec Limited (7 meetings in the year): Eligible to attend	Investec Limited: Attended
F Titi (Chairman)	On appointment	30 Jan 2004	30 Jan 2004	7	7	7	7
ZBM Bassa	Yes	1 Nov 2014	1 Nov 2014	7	7	7	7
LC Bowden	Yes	1 Jan 2015	1 Jan 2015	7	5	7	5
GR Burger	Executive	3 Jul 2002	3 Jul 2002	7	7	7	7
CA Carolus	Yes	18 Mar 2005	18 Mar 2005	7	7	7	7
PKO Crosthwaite	Yes	18 Jun 2010	18 Jun 2010	7	7	7	7
HJ du Toit	Executive	15 Dec 2010	15 Dec 2010	7	7	7	7
D Friedland	Yes	1 Mar 2013	1 Mar 2013	7	7	7	7
CR Jacobs	Yes	8 Aug 2014	8 Aug 2014	7	6	7	6
B Kantor	Executive	19 Mar 2002	9 Jun 1987	7	7	7	7
IR Kantor	No	26 Jun 2002	30 Jul 1980	7	7	7	7
S Koseff	Executive	26 Jun 2002	6 Oct 1986	7	7	7	7
Lord Malloch-Brown KCMG	Yes	8 Aug 2014	8 Aug 2014	7	7	7	7
KL Shuenyane	Yes	8 Aug 2014	8 Aug 2014	7	7	7	7
PRS Thomas	Yes	26 Jun 2002	29 Jun 1981	7	7	7	7

Other regular attendees

- Head of company secretarial and share schemes

Corporate governance

(continued)

Board activities

Areas of focus	Matter addressed	Role of the board	Conclusions/actions taken
Group strategy	• Group strategy involves setting business objectives, long-range plans and annual budgets	• Formulation of strategy and monitoring its implementation	• Set strategy and deliver value to shareholders and stakeholders • Monitor management activity and performance against targets • Provide constructive challenge to management • Set parameters for promoting and deepening the interest of shareholders
Group compliance		• Receive and review compliance reports	• Confirmation that the group meets all internal and regulatory requirements
Risk		• Receive quarterly reports from BRCC for review and consideration	• Adoption of Group Anti-Money Laundering (AML) and Counter Terrorism Financing (CFT) Policy • Consideration of impact of King IV and the JSE Listing Requirements • Approval of the recovery and resolution plan for the UK and South Africa • Consideration and approval of capital plans • Approval of risk appetite
Corporate governance	• Consideration of the independence of Investec plc and Investec Limited's non-executive directors, with particular regard to those directors who had served on the boards for a period longer than six years	• Considered the independence of the non-executive directors giving regard to the factors that might impact their independence • Considered the directors' contribution at board meetings and whether they in fact demonstrated independent challenge	• Confirmation of the independence of directors of Investec Limited and Investec plc • Review of Investec Bank plc's revised corporate governance structure
Leadership		• The board is responsible for ensuring that the policies and behaviours set at board level are effectively communicated and implemented across the group	• Consideration of regular updates by the various committees
Effectiveness	• Reviewed the process for the 2016 board effectiveness evaluation and made suggestions for changes to enhance the process	• Considered the process for the 2017 board effectiveness	• The 2017 board effectiveness review took the form of a self-assessment followed by one on one meetings between the chairman and directors • Amended/added questions regarding Risk and Audit, presentation of projects to the boards, IT and succession planning • The 2017 effectiveness review showed good progress on those issues identified in the independently facilitated 2016 effectiveness review • Topics for directors' development sessions finalised

Board activities

Areas of focus	Matter addressed	Role of the board	Conclusions/actions taken
Remuneration			• Received a report from the Remuneration committee chair at each meeting • Reports covered a variety of topics including regulatory developments pertaining to remuneration
Relations with stakeholders	• Shareholder views on governance and strategy • Relationship with regulators	• Ensure satisfactory dialogue with shareholders • Fostering strong and open relationships with regulators	Noted and discussed the key areas of feedback from shareholders, including feedback relating to: • Board refreshment and succession • Succession planning for the CEO , MD and senior management • Remuneration of executive directors • Regular meeting and open dialogue with regulators
Corporate Citizenship	• Promotion of equality, prevention of unfair discrimination and reduction of corruption • Consider sponsorships, donations and charitable giving • Environmental, health and public safety, including the impact of the group's activities and of its products and services • Consumer relationships including the company's advertising, public relations and compliance with consumer protection laws • Labour and employment – the group's standing in terms of the International labour organisation protocol on decent work and working conditions, employment relationships and its contribution towards the educational development of its employees	• The board discusses and monitors the various elements of good corporate citizenship	• The board is satisfied that the Investec group's standing and commitment to the various elements of good corporate citizenship remain in place and was actively enforced • Frequency of social and ethics committee (SEC) meetings amended to quarterly • Approval of revised SEC terms of reference • Approval of the group's disclosures required under the UK Modern Slavery Act requirements • Employment Equity Forum: Appointment of Cumesh Moodilar as chairman and Melanie Humphries as deputy chairman • Reviewing the annual report with respect to the role Investec plays in society • Establishment by IW&I South Africa of Investec Philanthropy Services: IW&I Educational Trust

Board activities

Areas of focus	Matter addressed	Role of the board	Conclusions/actions taken
Subsidiary board and committee composition and governance	• Discussion of succession planning including an update on senior management succession • The board received reports on the composition of the key subsidiaries of Investec plc and Investec Limited • The board received reports on suggested changes to Investec Bank plc's governance arrangements	• Receive reports from the nomdac at each meeting covering the matters within its delegated authority for review and consideration	• Approved the appointment of Zarina Bassa as chair of the audit committees • Noted changes made to subsidiary boards on the recommendation of nomdac
Financial results	• Consideration of financial results	• Review of financial results • Appointment of sub-committee	• Approval of financial results ended 31 March 2017 for Investec plc and Investec Limited • Approval of financial results for the half year ended 30 September 2016
Liquidity, solvency and viability statement	• The board satisfies itself of the group's viability A company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances at that time: • The assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued; and • It appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of: – 12 months after date on which the test is considered; or – In the case of a dividend, 12 months following the distribution	• The board assesses the group's viability • Review of discharge of Liquidity and Solvency requirements as required by Section 4 of the South African Companies Act as amended • Approval of dividend policy	• The board confirmed the group's viability (i.e. its ability to continue in operation and meet its liabilities taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces) • Confirmation that the group was liquid and that the solvency and liquidity test has been satisfied • Confirmation that adequate resources exist to support the group on a going concern basis • Adoption of the going concern concept • Confirmation that regulatory capital information, including a foreseeable dividend amount, will be declared in accordance with the formally approved dividend policy

How we comply

Regulatory context

Investec operates under a dual listed company (DLC) structure which requires compliance with the principles contained in the South African King III Code of Corporate Governance Principle (available at www.iodsa.co.za) and the September 2014 edition of the UK Corporate Governance Code (available at www.frc.org.uk).

We believe that sound corporate governance depends on much more than mere compliance with regulations. Good conduct and ethical practice is embedded in everything that we do at Investec. By acting in accordance with our values and principles, we believe that good governance is ensured.

Statement of compliance

UK Corporate Governance Code

Throughout the year ended 31 March 2017, Investec has complied with all the provisions of the UK Corporate Governance Code.

King III

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the group has applied the King III principles.

A more detailed analysis of Investec's compliance with King III is available on the Investec website (www.investec.com).

Any changes required to our governance processes as a result of King IV will be made during the course of the year ahead and reported against in next year's annual report.

Other statutory information

Viability statement

In addition to providing a going concern statement, the board is required, in terms of the UK Corporate Governance Code, to make a statement with respect to the group's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces. Following confirmation by the BRCC (comprising a majority of non-executive directors, which includes members of the audit committees) the audit committees recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing the group and these are highlighted in volume one and two of the Investec 2017 integrated annual report.

Through its various sub-committees, notably the audit committees, the GRCC, the BRCC and the capital committees, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity and solvency of the group. The activities of these board sub-committees and the issues considered by them are described in this governance section of this report.

Taking these risks into account, together with the group's strategic objectives and the prevailing market environment, the board approved the overall risk appetite for the Investec group. The group's risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the group's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite framework. A review of the group's performance/ measurement against its risk appetite framework is provided at each BRCC meeting and at the main board meetings.

In terms of the South African Reserve Bank (SARB), the UK Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) requirements, the group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the group is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Scenario modelling and rigorous daily liquidity stress tests are performed to measure and manage the group's respective banking entities' liquidity positions such that payment obligations can be met under a wide range of company specific and market-driven stress scenarios. The objective is to have sufficient liquidity, in an acute stress scenario, to continue to operate for a minimum period as detailed in the board-approved risk appetite and as required by the regulators. The group's risk appetite also requires each banking entity to maintain a minimum cash to customer deposit ratio of 25%, and ensure that the respective banking entities are not reliant on wholesale funding to fund core asset growth. Each banking entity is required to be fully self-funded. Our banking businesses in both the UK and South Africa exceed the regulatory requirements for the net stable funding ratio and liquidity coverage ratio. The group currently has £12 billion in cash and near cash assets, representing 41.4% of customer deposits.

The group develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of the group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that the group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The group targets a minimum capital adequacy ratio of 14% to 17%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is performed in designing Investec's specific stress scenarios. The group also incorporates the SARB and Bank of England (BoE) annual cyclical stress scenarios into its capital and liquidity processes. As the group's banking entities are regulated separately and ring-fenced from one another, different stress scenarios apply across the respective banking entities and jurisdictions.

The group's current down case stress scenario in Investec Limited takes into account a number of factors, which are briefly highlighted below:

- A global economic slowdown and domestic recession
- A renewed commodity slump
- Domestic and global rapid, sharp interest rate hikes
- All credit ratings of South Africa's sovereign foreign currency long-term debt are downgraded to sub-investment grade on perceived increased risk of fiscal deterioration
- Persistent schedule three load shedding
- Upwards (food price) inflation shock (weather, agricultural disease etc.)
- Substantial Rand weakness
- Significant strike action in private sector.

Investec plc runs a number of stress scenarios, some of which are briefly highlighted below:

- The BoE's annual cyclical stress scenario: this scenario incorporates a UK slowdown in GDP growth, a slump in Pounds Sterling, inflation turning negative and interest rates in the UK going to 0%, in addition to a significant house price fall
- A scenario where there is an unfavourable 'Brexit' outcome, i.e. a UK recession driving Pounds Sterling further down, increasing inflation, house prices fall by more than a third and economic growth flat lines after an initial slump. In this scenario we assume that the international backdrop is benign with a mild slowdown taking place in Ireland and the Eurozone countries
- A scenario where there is a global trade war and UK recession, with higher Libor rates and UK house prices falling.

We also carry out 'reverse stress tests', i.e. those scenarios that would cause the group to breach its capital and liquidity requirements. These scenarios are considered highly unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery and resolution plan for both Investec Limited and Investec plc. The purpose of the recovery plans are to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties in its separately regulated companies.

The capital and liquidity plans, stress scenarios, recovery and resolution plans and the risk appetite statement are reviewed at least annually. In addition, senior management hosts an annual three-day risk appetite process at which the group's risk appetite framework is reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets, together with a consolidated group budget, is presented to the board during its strategic review process early in the year.

In assessing the group's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that Investec will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. The board has assessed the group's viability in its 'base case' and 'down case' scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of the group's viability over the next three years to 31 March 2020 under these various scenarios. In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the 'down case' scenario these include, for example, dividend payments being reduced and asset growth being curtailed.

The viability statement should be read in conjunction with the following sections in the Investec 2017 integrated annual report, all of which have informed the board's assessment of the group's viability:

- The strategic and financial overview of the business
- Detail on the principal and emerging risks the group faces
- The overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Information on the group's various stress testing processes
- The group's philosophy and approach to liquidity management
- The group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 13 June 2017. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the group's control that could cause the group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Conflict of interest

Certain statutory duties with respect to directors' conflict of interest are in force under the UK Companies Act 2006 and the South African Companies Act 2008, as amended. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles and MOI that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration, and if considered appropriate, approval.

External directorships

Outside business interests of directors are closely monitored and we are satisfied that all of the directors are compliant with the UK's PRA requirements, which came into effect on 1 July 2014, limiting the number of directorships both executive and non-executive directors are permitted to hold.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlight potential conflicts of interest between the interest of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UKLA'S Disclosure and Transparency Rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their "connected persons". These include directors and senior executives of the group.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such reward, unless the DLC remuneration committee determines otherwise.

Directors' dealings

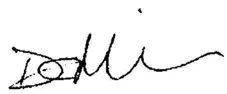
Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure and Transparency Rules of the UKLA and the JSE Listing Requirements.

All directors' and company secretaries dealings require the prior approval of the Compliance division and the chairman, the senior independent director or the chairman of the audit committee.

All dealings of persons discharging management responsibilities require approval by line management, the compliance division and the chairman.

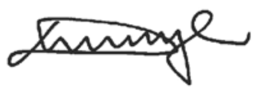
Report to shareholders

This report to shareholders has been approved and authorised for issue to the shareholders of Investec plc and Investec Limited on 13 June 2017 and signed on its behalf by:



David Miller
Company secretary

Investec plc



Niki van Wyk
Company secretary

Investec Limited

Shareholder analysis

(continued)

Investec ordinary shares

As at 31 March 2017 Investec plc and Investec Limited had 657.1 million and 301.2 million ordinary shares in issue respectively.

Spread of ordinary shareholders as at 31 March 2017

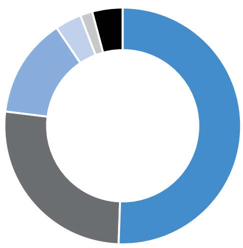
Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
16 267	1 – 500	54.2%	3 049 656	0.4%
5 053	501 – 1 000	16.8%	3 865 451	0.6%
5 750	1 001 – 5 000	19.1%	12 829 249	2.0%
948	5 001 – 10 000	3.2%	6 911 512	1.0%
1 121	10 001 – 50 000	3.7%	25 955 789	4.0%
292	50 001 – 100 000	1.0%	20 965 693	3.2%
615	100 001 and over	2.0%	583 528 275	88.8%
30 046		**100.0%**	**657 105 625**	**100.0%**

Investec Limited ordinary shares in issue

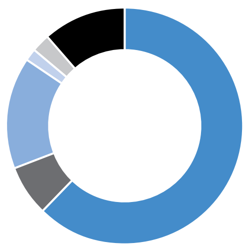
Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 073	1 – 500	46.3%	781 921	0.3%
1 395	501 – 1 000	15.9%	1 079 755	0.4%
1 797	1 001 – 5 000	20.5%	4 108 380	1.4%
424	5 001 – 10 000	4.8%	3 110 267	1.0%
642	10 001 – 50 000	7.3%	15 163 456	5.0%
170	50 001 – 100 000	1.9%	11 851 907	3.9%
291	100 001 and over	3.3%	265 069 488	88.0%
8 792		**100.0%**	**301 165 174**	**100.0%**

Geographical holding by beneficial ordinary share owner as at 31 March 2017



Investec plc

South Africa	50.6%
UK	26.5%
USA and Canada	13.6%
Rest of Europe	3.5%
Asia	1.7%
Other countries and unknown	4.1%



Investec Limited

South Africa	62.4%
UK	7.0%
USA and Canada	15.2%
Rest of Europe	1.6%
Asia	2.5%
Other countries and unknown	11.3%

Largest ordinary shareholders as at 31 March 2017

In accordance with the terms provided for in section 793 of the UK Companies Act 2006 and section 56 of the South African Companies Act, 2008, as amended, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

Investec plc

Shareholder analysis by manager group	Number of shares	% holding
1. Allan Gray (ZA)	54 564 790	8.3%
2. PIC (ZA)	39 895 286	6.1%
3. BlackRock Inc (UK and US)	37 613 373	5.7%
4. Prudential Group (ZA)	25 556 818	3.9%
5. Old Mutual (ZA)	23 953 282	3.6%
6. T Rowe Price Associates (UK)	21 513 929	3.3%
7. State Street Corporation (UK and US)	18 845 149	2.9%
8. Legal & General Group (UK)	18 088 127	2.8%
9. The Vanguard Group, Inc (UK and US)	17 647 731	2.7%
10. Royal London Mutual Assurance Society (UK)	16 897 419	2.6%
	274 575 904	**41.9%**

The top 10 shareholders account for 41.9% of the total shareholding in Investec plc. This information is based on a threshold of 20,000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Investec Limited

Shareholder analysis by manager group	Number of shares	% holding
1. PIC (ZA)	35 213 851	11.7%
2. Allan Gray (ZA)	27 504 421	9.1%
3. Investec Staff Share Schemes (ZA)	25 444 842	8.4%
4. Old Mutual (ZA)	15 960 095	5.3%
5. Sanlam Group (ZA)	12 460 194	4.1%
6. BlackRock Inc (UK and US)	11 382 316	3.8%
7. Coronation Fund Mgrs (ZA)	9 772 984	3.2%
8. Dimensional Fund Advisors (UK)	9 666 468	3.2%
9. The Vanguard Group, Inc (UK and US)	9 582 111	3.2%
10. AQR Capital Mgt (US)	7 172 136	2.4%
	164 159 418	**54.4%**

The top 10 shareholders account for 54.4% of the total shareholding in Investec Limited. This information is based on a threshold of 20,000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Shareholder analysis

(continued)

Shareholder classification as at 31 March 2017

	Number of Investec plc shares	% holding	Number of Investec Limited shares	% holding
Public*	630 654 857	96.0%	271 253 292	90.1%
Non-public	26 450 768	4.0%	29 911 882	9.9%
Non executive directors of Investec plc/Investec Limited	1 144 683	0.2%	325	–
Executive directors of Investec plc/Investec Limited	9 948 809	1.5%	4 466 715	1.5%
Investec staff share schemes	15 357 276	2.3%	25 444 842	8.4%
Total	**657 105 625**	**100.0%**	**301 165 174**	**100.0%**

**As per the JSE Listings Requirements.*

Share statistics

Investec plc

For the year ended	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Closing market price per share (Pounds Sterling)							
– year ended	5.44	5.13	5.61	4.85	4.59	3.82	4.78
– highest	6.19	6.47	6.06	5.08	5.14	5.22	5.50
– lowest	4.19	4.03	4.91	3.66	3.10	3.18	4.29
Number of ordinary shares in issue (million)[1]	657.1	617.4	613.6	608.8	605.2	598.3	537.2
Market capitalisation (£'million)[1]	3 575	3 167	3 442	2 953	2 778	2 286	2 568
Daily average volumes of share traded ('000)	1 618	1 474	2 170	1 985	1 305	1 683	1 634
Price earnings ratio[2]	11.3	12.4	14.2	12.8	12.7	12.0	11.1
Dividend cover (times)[2]	2.1	2.0	2.0	2.0	2.0	1.9	2.5
Dividend yield (%)[2]	4.2	4.1	3.5	3.9	3.9	4.5	3.6
Earnings yield (%)[2]	8.9	8.1	7.0	7.8	7.9	8.3	9.0

Investec Limited

For the year ended	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Closing market price per share (Rands)							
– year ended	91.46	109.91	100.51	84.84	64.26	47.16	52.80
– highest	112.11	121.90	107.35	85.04	69.89	57.36	65.50
– lowest	81.46	93.91	86.02	59.00	41.31	42.00	49.49
Number of ordinary shares in issue (million)[3]	301.2	291.4	285.7	282.9	279.6	276.0	272.8
Market capitalisation (R'million)[3]	87 646	99 886	90 388	75 652	56 857	41 232	42 768
Market capitalisation (£'million)[3]	5 213	4 662	5 045	4 325	4 061	3 340	3 872
Daily average volume of shares traded ('000)	1 149	963	739	810	980	1 033	794

1 *The LSE only include the shares in issue for Investec plc, i.e. 657.1 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*

2 *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*

3 *The JSE Limited have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation i.e. a total of 958.3 million shares in issue.*

Investec preference shares

Investec plc, Investec Limited and Investec Bank Limited have issued preference shares.

Spread of preference shareholders as at 31 March 2017

Investec plc preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
54	1 – 500	14.1%	11 559	0.4%
58	501 – 1000	15.1%	46 891	1.7%
184	1001 – 5000	48.0%	359 785	13.1%
31	5001 – 10000	8.1%	235 885	8.6%
45	10001 – 50000	11.8%	977 186	35.5%
7	50001 – 100000	1.8%	486 054	17.6%
4	100001 and over	1.1%	637 227	23.1%
383		**100.0%**	**2 754 587**	**100.0%**

Investec plc (Rand-denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
55	1 – 500	55.6%	12 004	9.1%
16	501 – 1000	16.2%	12 773	9.7%
22	1001 – 5000	22.2%	56 145	42.7%
4	5001 – 10000	4.0%	24 525	18.7%
2	10001 – 50000	2.0%	26 000	19.8%
–	50001 – 100000	–	–	–
–	100001 and over	–	–	–
99		**100.0%**	**131 447**	**100.0%**

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
997	1 – 500	18.1%	314 391	1.0%
1 269	501 – 1000	23.0%	1 057 576	3.3%
2 391	1001 – 5000	43.4%	5 594 966	17.4%
417	5001 – 10000	7.6%	2 976 741	9.1%
359	10001 – 50000	6.5%	7 043 281	21.9%
41	50001 – 100000	0.8%	2 922 170	9.1%
33	100001 and over	0.6%	12 305 374	38.2%
5 507		**100.0%**	**32 214 499**	**100.0%**

Investec Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
47	1 – 500	53.3%	5 667	2.2%
7	501 – 1000	8.0%	6 118	2.3%
21	1001 – 5000	23.9%	50 366	19.2%
5	5001 – 10000	5.7%	39 176	14.9%
7	10001 – 50000	8.0%	108 625	41.3%
1	50001 – 100000	1.1%	52 930	20.1%
–	100001 and over	–	–	–
88		**100.0%**	**262 882**	**100.0%**

Shareholder analysis

(continued)

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
822	1 – 500	21.7%	241 829	1.6%
1 000	501 – 1000	26.5%	864 466	5.6%
1 491	1001 – 5000	39.5%	3 518 175	22.8%
226	5001 – 10000	6.0%	1 660 149	10.7%
199	10001 – 50000	5.3%	3 767 392	24.4%
21	50001 – 100000	0.6%	1 546 013	10.0%
16	100001 and over	0.4%	3 849 606	24.9%
3 775		**100.0%**	**15 447 630**	**100.0%**

Investec Bank Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
903	1 – 500	90.9%	122 475	35.8%
52	501 – 1000	5.2%	35 140	10.3%
27	1001 – 5000	2.7%	47 510	13.9%
5	5001 – 10000	0.5%	30 819	9.0%
6	10001 – 50000	0.6%	105 773	31.0%
0	50001 – 100000	0.0%	–	0.0%
0	100001 and over	0.0%	–	0.0%
993		**100.0%**	**341 717**	**100.0%**

Largest preference shareholders as at 31 March 2017

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc perpetual preference shares
Hargreave Hale Nominees Limited 10.6%

Investec plc (Rand-denominated) perpetual preference shares
Private individual 5.9%
Private individual 9.9%
Private individual 9.9%

Investec Limited perpetual preference shares
Standard Chartered Bank – Coronation Strategic Income fund 5.2%

Investec Limited redeemable preference shares
Private individual 5.8%
Private individual 6.7%
Private individual 11.9%
Private individual 11.9%

Investec Bank Limited perpetual preference shares
There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Bank Limited, as at 31 March 2017.

Investec Bank Limited redeemable preference shares
Investec Securities Pty Ltd 6.6%
Private individual 6.8%
Private corporate 5.9%

Corporate responsibility business practices

Our corporate responsibility philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on or prolongs the life of our planet.

Investec as a responsible corporate citizen

At Investec we recognise that, while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promotes trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding and empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align with the culture of our organisation and our approach to responsible business.

Our culture and values demonstrate our belief that as an organisation we can and must have a positive impact on the success and well-being of communities local to our offices, the environment, and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive or exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our corporate responsibility efforts while the individual business units provide the key drivers behind our activities, in a manner that best makes sense to each.

Please refer to the website for Investec's full corporate citizenship statement.

Memberships

Investec participates and has maintained its inclusion in the following international initiatives

	2016	2015	2014
Carbon Disclosure Project (CDP) (Investec is a member and Investec Asset Management is a signatory investor)	A-	A-	B
Code for Responsible Investing in South Africa (CRISA)	Signatory	Signatory	Signatory
Dow Jones Sustainability Investment Index (score out of 100)	75	74	75
FTSE4Good Index	Included	Included	Included
JSE Limited Socially Responsible Investment Index	Constituent	Constituent	Constituent
MSCI Global Sustainability Index Series (Investec plc) – Intangible value assessment (IVA) rating	AAA	AAA	AAA
STOXX Global ESG Leaders Indices	Member	Member	Member
United Nations Global Compact	Active	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory

Other: Investec Asset Management CEO, HJ du Toit, is a member of The Global Commission on Business and Sustainability Development.

Corporate responsibility

(continued)

Responsibility

The social and ethics committee is responsible for monitoring the non-profit elements of sustainability.

The mandate of this committee places a strong emphasis on the responsibility of the group towards the communities in which we operate, on transformation in the workplace, and on enshrining human rights as well as the well-being and dignity of our employees.

We also have representatives in each of the major geographies in which we operate who drive our corporate responsibility objectives as well as various forums discussing corporate responsibility considerations.

Feedback on relevant corporate responsibility issues is provided to board members at board meetings.

Reporting

Our approach to corporate responsibility is documented throughout this integrated annual report with further detail available in a more extensive corporate responsibility report on our website.

Our approach to reporting has followed guidance from the King Code of Governance Principles for South Africa (King III) and in accordance with the Global Reporting Initiative's (GRI) Standards core sustainability reporting guidelines.

An index of these indicators together with our response to each of them can be found in our separate corporate responsibility report on our website.

Assurance

Investec Internal Audit performed a limited review of the quantitative and qualitative corporate responsibility information disclosed in Volume 1 of the Investec 2017 integrated annual report.

This included the review of corporate social spend, learning and development spend, employee headcount and carbon footprint.

KPMG has provided limited assurance over selected environmental, human resources and corporate social spend key performance indicators, as set out in the corporate responsibility review of this integrated annual report, which has been extracted from the 2017 corporate responsibility report.

For a better understanding of the scope of KPMG's assurance process, the extracted environmental, human resources and corporate social key performance indicators in this report should be read in conjunction with the full 2017 corporate responsibility report containing their assurance statement.

Materiality

In identifying material issues, consideration is given to those issues we believe have the potential to significantly influence our ability to have a positive impact on the sustainability of our business and on overall macro-economic stability as well as contributing to the success and well-being of our communities and the environment.

During the financial year ending 31 March 2017, we embarked on a robust process of engagement with internal and external stakeholders. This process went beyond our day-to-day engagement with stakeholders and involved an independent interview process of the Investec board of directors, executive, heads of business and employees and also external stakeholders such as industry associations, rating agencies, clients, investment analysts and NGOs. This process allowed us to confirm that our core corporate responsibility issues did not materially change in the past three years and we would therefore continue with our core focus areas.

Due to the nature of Investec's business, the material aspects identified are considered unlikely to change in the short to medium term. As a result, Investec only repeats this comprehensive process every three to four years.

Material issues:

During our 2016/2017 stakeholder engagement process the following material issues were identified:

- Increasing political volatility at a global level
- Continuing political uncertainty and social challenges in South Africa, particularly in areas such as unemployment, education and transformation
- Income and wealth inequality and growing calls for inclusive economic growth (and 'radical economic transformation') in South Africa
- A growing 'trust deficit' in the financial services industry
- Digital technology raising new security and privacy challenges
- Strong corporate governance practice is seen as a significant issue for the financial sector
- Tightening regulatory and 'soft-law' requirements on economic, social and governance (ESG) issues
- Steadily growing interest in responsible investment products and practices
- A shifting understanding of corporate 'value'
- Broadening expectations regarding the extent of environmental responsibility.

We consider our three key focus areas of people, planet and profit against Investec's philosophies and values, and input obtained from our stakeholders.

People

Capital and our priorities		Impact
Human capital	We depend on the experience and proficiency of our people to perform and deliver superior client service. **Priorities are to:** • Provide a healthy, stimulating and progressive work environment • Invest in employee learning and development • Retain and motivate staff through appropriate remuneration and reward structures • Entrench our values-driven culture through the organisation.	Learning and development spend **£22.9mn** (2016: £14.7mn) Investec South Africa was voted 2nd most attractive employer in the 2017 Universum Awards Approximately **7%** employee share ownership Piloted activity-based working in the UK head office
Intellectual capital	We use our specialist financial skills and expertise to provide structured solutions for clients and have a robust risk management process in place. **Priorities are to:** • Encourage a strong culture of entrepreneurship, however, balancing risk versus reward • Ensure solid lending, investing and risk management practices.	Strengthened our lending and investing risk policies globally Created and invested in the IEP Group Launch of Investec Life
Social and relationship capital	We leverage key stakeholder relationships to enhance our impact on society and the macro-economy. **Priorities are to:** • Build deep durable relationships with clients • Invest in our distinctive brand • Unselfish contribution to society through our corporate social investment (CSI) programmes • Focus on diversity and promoting equality • Transformation of the financial sector in South Africa.	Customer accounts **up 5.5% (on a currency neutral basis)** to **£29.1bn** Core loans and advances **up 8.5% (on a currency neutral basis)** to **£22.7bn** **£7.1mn** spend on CSI across the group (2016: £5.0mn) Winner of the Business in the Community's Responsible Business Awards 2016 in the UK Winner of most socially responsible company in Africa in 2016 SERAS awards Member of the 30% Club in South Africa and the UK **Level 2** rating in the Financial Sector Code in South Africa

Corporate responsibility

(continued)

Planet

Capital and our priorities		Impact
Natural capital	Given our niched specialist financial services focus, we depend on very few natural resources and hence our direct impact is very limited. **Priorities are to:** • Limit our direct operational carbon impact • Positively impact the environment through responsible financing and investing • Fund and/or participate in renewable energy and green developments.	Group CO_2 emissions reduced by **7.9%** **£1.8bn** participation in the renewable energy sector Winner of 2016 SERAS award for the best company in affordable and clean energy Strengthened our lending and investing risk policies globally

Profit

Capital and our priorities		Impact
Financial capital	Financial capital is needed to grow the business and to help create sustainable economic value for shareholders. **Priorities are to:** • Maintain a balanced and resilient business model • Maintain a sound capital base and strong liquidity • Organically grow our businesses • Focus on improving returns and operational efficiency • Grow capital light activities.	Capital light activities: **56%** of group income Group cost to income: **66.3%** ROE has **grown to 12.5%** overall and **14.2%** on an ongoing basis **9.5%** increase in dividends per share Strong liquidity with cash and near cash balances at **£12.0bn**
Technological capital	We have developed a number of IT structures to support our business activities. Our digital platforms are critical in driving engagement with our clients and stakeholders. **Priorities are to:** • Invest in new IT systems and integrate existing IT systems • Continually develop our comprehensive digital offering.	Investec was the first financial institution in South Africa to introduce voice biometrics recognition to clients Online Portfolio Manager has a Private banking and Wealth & Investment client base overlap of **31%** (AUM) **Since the launch of One Place:** • Number of investors with Wealth & Investment Online up **80%** • Assets under Administration with Wealth & Investment Online up **65%** • Assets under Management with Wealth & Investment Online up **220%.**

04

Remuneration report

Statement by the chair of the remuneration committee

On behalf of the board remuneration committee (the committee) I am pleased to present the report on directors' remuneration for the 2017 financial year. This report was compiled by the board remuneration committee and approved by the board.

Remuneration philosophy remains unchanged

Our overarching remuneration philosophy has remained unchanged from prior years as we maintain focus on employing and retaining the highest calibre individuals through the payment of industry competitive packages and long-term share awards, which ensure alignment with key stakeholders in our business.

Our rewards continue to be distributed from pools of realised earnings generated in excess of targeted thresholds which reflect usage of risk-adjusted capital. This economic value-added model has been in operation for about 18 years and ensures that risk and capital management form the basis for key processes at both a group and transaction level thus balancing the rewards between all stakeholders.

We recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Remuneration outcomes for 2017

The executive directors' remuneration policy was approved at the 2015 annual general meeting. The policy incorporated a number of changes, which reflected the outcomes of engagement with shareholders at the time. The policy remained in place for the 2017 financial year and will remain in force until the 2018 annual general meeting unless regulatory changes or the business or economic environment necessitate earlier amendment. The only significant changes within the policy for the 2017 financial year are the extension of the deferral and clawback periods for the executive directors' short-term incentive and long-term incentive, to comply with the extended deferral requirements under the PRA and FCA Remuneration Codes. The vesting periods of the short-term and long-term share awards have been extended to ensure that a minimum of 60% of the executive directors' variable remuneration is deferred over a period of three to seven years, while the clawback provisions have been extended to seven years, with an extension to ten years in the event of an ongoing investigation. The committee believes that as the changes are due to regulatory requirements, and are more onerous than those under the approved policy that it can make these changes, and consequently the remuneration policy will not be put to a vote at the annual general meeting this year.

We will engage with our significant shareholders during the 2018 financial year to seek input and help shape the remuneration policy which we will present for approval at the 2018 annual general meeting. In addition, the committee will consider the additional requirements and guidance published by the relevant regulatory bodies, including the European Banking Authority (EBA), the PRA and FCA, when reviewing the policy ahead of the 2018 annual general meeting.

Malus adjustments on unvested share awards are applicable to all employees across the group. Furthermore, Material Risk Takers are also subject to clawback adjustments and extended deferral requirements.

Business context and outcomes for the year under review

The committee continues to place great importance on ensuring that there is clear alignment between remuneration and delivery of the group's key strategic objectives.

Group performance metrics	Year ended 31 March 2017	Year ended 31 March 2016	% change
Adjusted earnings attributable to shareholders before goodwill, acquired intangibles, non-operating items and after non-controlling interests	£434.5 million	£359.7 million	20.8%
Adjusted earnings per share	48.3 pence	41.3 pence	16.9%
Dividends per share	23.0 pence	21.0 pence	9.5%
Return on equity	12.5%	11.5%	
Recurring income as a % of total operating income	72.0%	71.7%	
Return on average risk-weighted assets	1.45%	1.34%	
Total capital adequacy ratio, Investec plc	15.1%	15.1%	
Common equity tier 1 capital ratio, Investec plc	11.3%	9.7%	
Leverage ratio, Investec plc	7.8%	7.0%	
Total capital adequacy ratio, Investec Limited	14.1%	14.0%	
Common equity tier 1 capital ratio, Investec Limited	9.9%	9.6%	
Leverage ratio, Investec Limited	7.3%	7.0%	
Total shareholder return, Investec plc (Pounds Sterling)	10.9%	(4.8%)	
Total shareholder return, Investec Limited (Rands)	(12.5%)	13.6%	
Variable remuneration pool	£390 million	£331 million	17.8%

During the 2017 financial year the group benefited from positive business momentum across its operations and delivered a sound performance, notwithstanding challenging operating conditions.

The group's performance against key metrics is shown in the table on the previous page.

In light of the positive financial performance of the group during the 2017 financial year and the resultant progress achieved across a range of financial, non-financial and strategic measures (in terms of the executive short-term incentive plan as approved by shareholders and reflected on pages 117 to 119), the remuneration committee approved an annual bonus of £1.93 million each for Stephen Koseff and Bernard Kantor, and £1.68 million for Glynn Burger. Stephen Koseff, Bernard Kantor and Glynn Burger receive 30% of their bonus in cash, 30% in shares upfront, with the balance deferred in shares. Malus and clawback arrangements apply to these awards.

Hendrik du Toit was awarded a bonus of £4.65 million, determined solely in relation to the performance of Investec Asset Management as set out on page 116. 20% of the bonus awarded to Hendrik du Toit was deferred into the IAM Deferred Bonus Plan (DBOP). As outlined on page 146, the DBOP awards are made in the form of investments into various funds managed by IAM. The deferral period is just over three years.

The executive directors are not receiving salary increases for the 2018 financial year.

The board agreed to recommend an inflationary increase in fees for the forthcoming year for the non-executive directors.

Looking forward

The committee will continue to ensure that reward packages remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies, business strategy, risk management and capital management frameworks.

We remain committed to engaging with our shareholders and shareholder representative organisations to ensure that their views are taken into consideration when determining our remuneration practices.

We are seeking shareholder approval at the 2017 annual general meeting for:

- Our directors' remuneration report for the year ended 31 March 2017
- Our non-executive directors' remuneration.

Signed on behalf of the board

PKO Crosthwaite.

Perry Crosthwaite
Chairman, DLC remuneration committee

13 June 2017

Navigating this report

To help shareholders navigate the remuneration report, a brief summary of key content is set out below.

Executive directors

The executive directors whose remuneration is disclosed in this report are referred to as follows:

- Stephen Koseff – chief executive officer (CEO)
- Bernard Kantor – managing director (MD)
- Glynn Burger – group risk and finance director (GRFD)
- Hendrik du Toit – chief executive officer of Investec Asset Management (CEO of IAM).

Compliance and governance statement

The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code, the South African King III Code of Corporate Practice and Conduct, the South African Companies Act 2008, the JSE Limited Listings Requirements and the South African Notice on the Governance and Risk Management Framework for Insurers, 2014.

The remuneration report comprises the annual statement from the committee chair, the directors' remuneration policy that sets out our remuneration policy for the next year and the differences between the future policy and the policy operated in the 2017 financial year, and the annual report on remuneration that explains how the policy has been implemented in the 2017 financial year. The report also contains Pillar III disclosures as mandated by the UK's PRA and the South African Reserve Bank.

A summary of the remuneration decisions made during the year ended 31 March 2017

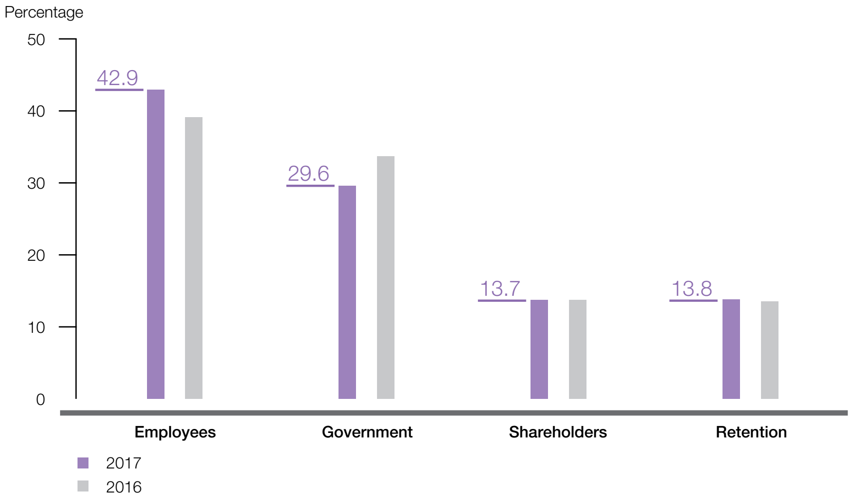
Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to:

- Employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies
- Strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and the group
- Provide staff share ownership through participation in our employee share schemes to align interests with those of our owners
- Continue to acknowledge the importance of the appropriate division of the returns generated by our business between our owners, our workforce and the societies in which we operate.

In summary, we estimate our total economic return has been divided between government through taxation, owners through dividends and employees through total compensation as follows:

Value add contribution



The total cost of compensation is managed through staff compensation ratios which are reviewed regularly. The total staff compensation ratios are as follows:

	Staff compensation ratios	
	Year ended 31 March 2017	**Year ended 31 March 2016**
Total for the group	47.2%	47.0%
Asset Management	47.5%	48.2%
Wealth & Investment	54.7%	53.8%
Specialist Banking	45.2%	44.8%

Remuneration report

(continued)

Outcomes for executive directors during the year

The following table summarises awards made to executive directors for the year. A further breakdown of these awards can be found on page 121.

	Total cash benefits, salary, non-deferred bonus		Total deferred bonus*		Fixed allowance payable in shares subject to retention^		Total remuneration not subject to future performance conditions		Value of LTIPs awarded – not vested and still subject to performance conditions^^		Total remuneration awarded in current period	
£'000	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
CEO	1 639	1 322	773	562	1 000	1 000	3 412	2 884	1 480	1 480	4 892	4 364
MD	1 639	1 322	773	562	1 000	1 000	3 412	2 884	1 480	1 480	4 892	4 364
GRFD	1 344	1 041	672	488	1 000	1 000	3 016	2 529	1 336	1 308	4 352	3 837
CEO IAM	4 171	4 375	930	–	–	–	5 101	4 375	–	–	5 101	4 375

* *The bonuses for the CEO, MD and GRFD have an amount deferred as per the schedules below while 20% of the bonus for the CEO IAM is deferred for a period of just over three years.*

^ *20% released each year for a period of five years.*

^^ *As discussed on page 129, the awards were made on 8 June 2017 and the amount reflected in the table represents the number of awards made multiplied by the grant share price. These awards have not vested and are still subject to performance conditions being met.*

The payment and deferral profile of the remuneration awarded to S Koseff (CEO) and B Kantor (MD) during the 2017 financial year is as follows:

		Received in							
£'000	**Awarded in 2017**	**Current year (2017)**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Remuneration awarded in 2017 not subject to future performance conditions	**3 412**	**1 639**	**303**	**303**	**314**	**314**	**313**	**113**	**113**
Salary and benefits	480	480	–	–	–	–	–	–	–
Fixed allowance payable in shares	1 000	–	200	200	200	200	200	–	–
Short-term incentive	1 932	1 159	103	103	114	114	113	113	113
Long-term incentive awarded in 2017 still subject to future performance conditions	1 480	–	–	–	296	296	296	296	296
Total remuneration	**4 892**	**1 639**	**303**	**303**	**610**	**610**	**609**	**409**	**409**

The payment and deferral profile of the remuneration awarded to GR Burger (GRFD) during the 2017 financial year is as follows:

		Received in							
£'000	**Awarded in 2017**	**Current year (2017)**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Remuneration awarded in 2017 not subject to future performance conditions	**3 016**	**1 344**	**299**	**299**	**295**	**295**	**295**	**95**	**94**
Salary and benefits	336	336	–	–	–	–	–	–	–
Fixed allowance payable in shares	1 000	–	200	200	200	200	200	–	–
Short-term incentive	1 680	1 008	99	99	95	95	95	95	94
Long-term incentive awarded in 2017 still subject to future performance conditions	1 336	–	–	–	268	267	267	267	267
Total remuneration	**4 352**	**1 344**	**299**	**299**	**563**	**562**	**562**	**362**	**361**

Twenty per cent of the bonus awarded to Hendrik du Toit is deferred for three years into the IAM DBOP scheme, vesting over a period of just over three years.

Annual report on directors' remuneration

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

Composition and role of the committee

Perry Crosthwaite is the chairman of the committee. The other members of the committee are Fani Titi, Charles Jacobs and Zarina Bassa.

Current members of the committee are deemed to be independent as discussed on page 93.

Two members of the committee are also members of the group's board risk and capital committee, thus bringing risk and control mechanisms into the committee's deliberations.

The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities, who are the global heads of our core areas of activity and are members of our global operations forum)
- Commission and consider the results of an annual internal review of remuneration policy implementation
- Ensure that qualified and experienced management and executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy
- Review and approve the design of and determine targets and objectives for any performance-related remuneration schemes operated by the group and approve the aggregate annual payouts under such schemes
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of executive directors and persons discharging managerial responsibilities and Material Risk Takers including, where appropriate, bonuses, incentive payments and share scheme awards
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of members of the Internal Audit, Risk and Compliance functions
- Oversee any major changes in our employee benefit structures
- Ensure that the recommendations and rules within the UK and South Africa pertaining to remuneration are adhered to, as appropriate.

The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties.

The committee's terms of reference are subject to annual review and are available on our website.

Meetings

The remuneration committee met eight times during the financial year. Each member attended all of the meetings, with the exception of Charles Jacobs who attended seven.

The company secretary of Investec plc acts as the secretary. Executive directors do not attend meetings of the committee, unless invited or required to do so by the chairman of the committee. The chairman of the committee reports on the activities of the committee at each meeting of the board.

Advisers to the committee and the company

Where appropriate, the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee and Investec funds any expenses relating to their appointment.

During the financial year, the committee continued to use the services of its principal advisers, Aon Hewitt, which among other things reviewed and provided information on industry consultation papers, regulations and developments with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmarks, industry and comparable organisations' remuneration practices. Their recommendations are valued in the ongoing review of our remuneration practices. Aon Hewitt is a signatory to the UK Remuneration Consultants Group's Code of Conduct and does not conduct any material work for the company other than for the committee, and is part of Aon plc. The committee, on an annual basis, formally evaluates the advice received from Aon Hewitt to ensure that it is both objective and independent, and considers whether this service should be retained for the forthcoming year. Total fees paid to Aon Hewitt for the year amounted to £3 263 (based on their standard hourly rates).

The company retained the services of PricewaterhouseCoopers to assist with the development of remuneration arrangements in light of evolving European Banking Authority guidelines and industry remuneration developments. This information was also shared with the committee.

Certain specialist divisions within the group, for example, human resources and the staff shares schemes division, provide supporting information and documentation relating to matters that are presented to the committee. This includes, for example, comparative data and motivations for proposed salary, bonus and share awards. The variable remuneration pools are determined by our finance teams and subject to review as part of the audit process taking into account risk-adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

Statement of implementation of remuneration policy for the year ending 31 March 2018

Executive directors

As approved at the 2015 annual general meeting, the remuneration policy for the executive directors will be implemented for the year ending 31 March 2018 as follows:

	Values and operation	Changes, deferrals and performance targets
Base salary and benefits		
	• £480 000 for the CEO • £480 000 for the MD • £336 309 (i.e. R4 500 000 Rand portion and £91 961 Pounds Sterling portion) for the GRFD • £451 192 for the CEO of IAM	No increase
Fixed allowance		
	• £1 000 000 for each of the three executive directors subject to CRD IV (CEO, MD and GRFD) • An allowance granted in shares to ensure an appropriate mix between fixed and variable remuneration	• Payable in shares • Vests on award • Retention period: – Released over five years – 20% each year
STI		
	• Incentive pool for CEO, MD, GRFD: – 0.23% each of adjusted operating profit for CEO and MD – 0.20% of adjusted operating profit for GRFD – Subject to a maximum of 100%* of fixed remuneration for each of the three executive directors subject to CRD IV • Incentive pool for CEO of IAM: – 1.85% of the earnings of IAM before variable compensation and tax	• For CEO, MD, GRFD: award subject to performance criteria as set out on pages 117 to 119 – Malus and clawback provisions apply – Deferral period: 30% upfront in cash; 30% upfront in shares; the remaining 40% is deferred – The 40% deferred amount is treated as follows: an amount that ensures 60% of total variable remuneration (short-term incentive plus long-term incentive) is deferred over three to seven years, vests 20% per annum commencing on the third anniversary: with the balance deferred equally over one and two years – This has changed in line with regulatory requirements • For CEO of IAM: – Malus and clawback provisions relating to IAM apply – 20% deferred into the IAM DBOP scheme vesting over a period of just over three years
LTI		
	• Maximum 100% fixed remuneration • Paid entirely in shares • Applicable for each of the three directors subject to CRD IV (CEO, MD and GRFD) • CEO of IAM does not receive long-term incentive awards as he is a participant in the IAM equity ownership scheme (as explained on pages 146 and 147)	• Award subject to performance criteria as set out on pages 119 and 120 • Award of one times fixed remuneration at face value • Deferral period: equal vesting over years three to seven, subject to six-month retention period • Malus and clawback provisions • Malus and clawback provisions relating to IAM apply for the CEO of IAM

* *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration, depending on the length of deferral, inflation and interest rates. This is currently approximately 2.4x fixed remuneration. These limits will be in line with this cap.*

Further details on the executive directors' short-term incentive plan:

Performance conditions	Weighting	Score range	Achievement levels
Financial metrics	85%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)
Non-financial metrics	15%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)

Each financial and non-financial metric has set threshold levels below which no short-term incentive will be earned and stretch levels whereby the pool for short-term incentives earned will be increased, but to a level capped as a percentage of adjusted operating profit. The committee believes that these stretch levels are demanding and will result in an incentive pool which will reflect actual performance and align the interests of the executive directors with the interests of shareholders. Achievement levels for the short-term incentive will be reviewed regularly by the committee.

Executive short-term incentive – financial metrics and weightings

The weightings for each financial metric are as follows:

Financial metric	Weighting	
Aggregate	85%	
Return on risk-weighted assets[1]	35%	60% attributable to profitability measures
Return on equity[2]	25%	
Tier 1 capital adequacy[3]	12.5%	25% attributable to prudential measures
Liquidity cover ratio[4]	6.25%	
Net stable funding ratio[4]	6.25%	

1 *Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items.*
2 *Return on equity is defined as adjusted earnings/average ordinary shareholders' equity (excluding preference share capital).*
3 *Tier 1 capital adequacy condition is a blend of the underlying tier 1 capital adequacy ratios for Investec plc and Investec Limited (50% plc: 50% Limited).*
4 *The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (55% South Africa: 45% UK).*

The financial metrics are designed to ensure an appropriate balance between measures which drive profitability (return on risk-weighted assets and return on equity) which comprise 60% of the total weighting of 85% and prudential measures (tier 1 capital adequacy ratios, liquidity cover ratios and the net stable funding ratio) which comprise 25% of the total weighting of 85%.

Executive short-term incentive – financial metrics: achievement levels

Achievement levels for each of the financial metrics, as described above, which determine threshold, target and stretch performance are set by the committee, following a careful and detailed review of relevant economic and market conditions. The threshold, target and stretch performance levels for the financial metrics set by the committee are outlined on the next page. Achievement levels for the year ended 31 March 2017 are shown on page 122.

	Weighting	Achievement levels		
Financial metric	**85%**	**Threshold (0%)**	**Target (100%)**	**Stretch (200%)**
Return on risk-weighted assets	35%	0.9%	1.2%	1.6%
Return on equity	25%	9%	12%	15%
Tier 1 capital adequacy	12.5%	9.5%	10.5%	12%
Liquidity cover ratio*	6.25%	115%	132.5%	162.5%
Net stable funding ratio*	6.25%	82%	89.5%	99.5%

* *The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (55% South Africa: 45% UK) as set out below:*

Measure	**South Africa**	**UK**
Geographical weighting	55%	45%
Liquidity cover ratio		
Threshold	55%	150%
Target	65%	175%
Stretch	75%	225%
Net stable funding ratio		
Threshold	65%	95%
Target	75%	100%
Stretch	85%	110%

Stretch achievement levels for return on risk-weighted assets and return on equity are considered to be demanding:

- The group's adjusted earnings for the year ended 31 March 2017 amounted to £434.5 million
- In order to achieve the stretch achievement level for the return on risk-weighted assets metric, the group's adjusted earnings for the year ended 31 March 2017 would have needed to be 10.5% larger at £480.0 million *ceteris paribus*
- In order to achieve the stretch achievement level for the return on equity metric, the group's adjusted earnings for the year ended 31 March 2017 would have needed to be 20.4% larger at £523.0 million *ceteris paribus*.

Executive short-term incentive – non-financial metrics: achievement levels

The committee believes that it is appropriate to incentivise executive directors to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns. Without a meaningful weighting and target score for non-financial metrics, the executives would not be rewarded in any significant way for activities which the committee and the board regard as essential to the reputation, risk profile, capability and overall long-term sustainability of the company. The committee considers that both the short- and long-term incentive schemes should properly reflect the board's view of the proper balance of responsibilities for the executive directors.

The areas of focus, weightings and objectives for the non-financial metrics are assessed on a four-point scale (these are reviewed regularly). These are as follows:

	Weighting	Achievement levels				
Non-financial metrics	15%	0%	50%	100%	150%	200%
Culture and values	3.75%	0	1	2	3	4
Franchise development	3.75%	0	1	2	3	4
Governance and regulatory and shareholder relationships	3.75%	0	1	2	3	4
Employee relationship and developments	3.75%	0	1	2	3	4

The committee has set the following areas of focus in respect of the non-financial performance conditions:

- Culture and values
  - Management visible and proactive in demonstrating appropriate behaviour
  - Performance-driven, transparent and risk-conscious organisation
  - Delivering appropriate and sustainable products with high levels of service and responsiveness
  - Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders
  - Continual monitoring of the culture of the group.
- Franchise development
  - Quality of brand, development of client base, commitment to the community and progress in building the firm
  - Environmental and other sustainability issues.
- Governance and regulatory and shareholder relationships
  - Maintaining open and transparent relations with regulators
  - Regulators should have confidence that the firm is being properly governed and managed
  - Shareholders should have confidence that the firm is being properly managed.
  - Delivering appropriate and sustainable products with high levels of service and responsiveness
- Employee relationship and development
  - Succession and the development of the next generation
  - Diversity and black economic empowerment initiatives and results
  - Continued development of people – both on the job and extramurally.

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances, with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

Further details on the executive directors' long-term incentive plan

The vesting of awards for the executive directors will be conditional on performance weighted as to financial and non-financial performance and measured against prescribed achievement levels.

The number of shares awarded will be decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial metrics, as follows:

	Weighting	Score range	Achievement levels
Financial metrics	75%	0 – 150%	Threshold (0%) Target (100%) Stretch (150%)
Non-financial metrics	25%	0 – 200%	Threshold (0%) Target (100%) Stretch (200%)

The number of shares which vest against both the financial and non-financial performance conditions depend on whether threshold (0%), target (100%) or stretch (150%) levels are achieved, with awards vesting on a linear basis between each level.

If the stretch achievement levels for both the financial and non-financial metrics are satisfied, the number of shares vesting will be increased and capped at a maximum of 135% of the number of shares awarded at the time of grant.

Executive long-term incentive – financial metrics: achievement levels

The achievement levels for each financial metric which determine threshold, target and stretch performance for the three-year performance period applicable to each annual award will be reviewed regularly by the committee in advance of the award being made after a careful review of relevant economic and market conditions. The weightings for each of the financial metrics are expected to remain constant going forward.

Threshold, target and stretch achievement levels for the financial metrics currently are as follows:

	Weighting	Achievement levels		
Financial metrics	75%	Threshold (0%)	Target (100%)	Stretch (150%)
Growth in tangible net asset value[1]	40%	15.0%	30.0%	45.0%
Return on risk-weighted assets[2]	35%	0.7%	1.2%	1.6%

1 *The growth in tangible net asset value is expressed per share, based on neutral currency and after adding back dividends and will be measured over the three financial years preceding the first date of vesting.*

2 *Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items, and will be measured over the three financial years preceding the first date of vesting by averaging the actual return on risk-weighted assets achieved for each of those three financial years.*

The awards will be tested over the three financial years preceding the first date of vesting against the achievement levels set on grant and the number of shares to be received will be determined by reference to the combined total which has been achieved.

Executive long-term incentive – non-financial metrics: achievement levels

The non-financial metrics and associated objectives for the three-year performance period applicable to each annual award will be reviewed regularly by the committee, in advance of the award being made, taking into account the group's strategic and operational objectives.

The current non-financial metrics are as follows:

	Weighting	Achievement levels				
Non-financial metrics	25%	0%	50%	100%	150%	200%
Culture and values	4%	0	1	2	3	4
Franchise development	13%	0	1	2	3	4
Governance and regulatory and shareholder relationships	4%	0	1	2	3	4
Employee relationship and development	4%	0	1	2	3	4

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

Non-executive directors

The fee structure for non-executive directors for the period ending 31 August 2017 and 2018 is shown in the table below:

Non-executive directors' remuneration	Period ending 31 August 2017	As proposed by the board for the period from 1 September 2017 to 31 August 2018
Chairman's total fee	£425 000 per year	£435 000 per year
Basic non-executive director fee	£72 000 per year	£73 000 per year
Senior independent director	£10 000 per year	£10 000 per year
Chairman of the DLC audit committee	£62 000 per year	£63 000 per year
Chairman of the DLC remuneration committee	£45 000 per year	£46 000 per year
Member of the DLC audit committee	£18 000 per year	£18 500 per year
Member of the DLC remuneration committee	£16 500 per year	£17 000 per year
Member of the DLC nominations and directors' affairs committee	£12 000 per year	£12 500 per year
Member of the DLC social and ethics committee	£12 000 per year	£12 500 per year
Chairman of the board risk and capital committee	£44 000 per year	£45 000 per year
Member of the board risk and capital committee	£14 500 per year	£15 000 per year
Investec Bank Limited board member in attendance of the board risk and capital committee	R142 000 per year	R142 000 per year
Member of the Investec Bank plc board (also member of main board)	£13 500 per year	£14 000 per year
Member of the Investec Bank plc board	£55 000	£56 000
Chairman of Investec Holdings (Ireland) Limited	€50 000 per year	€50 000 per year
Independent director of Investec Capital and Investments (Ireland) Limited	€50 000 per year	€50 000 per year
Member of the Investec Bank Limited board (also member of main board)	R305 000 per year	R320 000 per year
Member of the Investec Bank Limited board	£450 000 per year	R470 000
Per diem fee for additional work committed to the group	£2 000/R30 000	£2 000/R30 000

Note: Value-Added Tax (VAT), at the prevailing rate, where applicable, will be added to the above-mentioned fees. Two binding general rulings were issued by the South African Revenue Service (SARS) in early 2017 confirming the South African Value-Added Tax (VAT) law that requires non-executive directors of companies to register for and charge VAT in respect of any directors' fees earned for services rendered as a non-executive director that exceed the prescribed threshold. These rulings are effective 1 June 2017.

Executive directors' single total figure of remuneration (audited)

The table below provides a single total remuneration figure for each executive director over the financial period.

Executive directors	Salary £	Retirement benefits £	Total other taxable benefits £	Fixed allowance £	Gross remuneration £	STI – upfront cash and upfront shares £	STI – deferred £	Total remuneration not subject to future performance conditions £	Value of LTIP – not vested and still subject to performance conditions £	Value of exercised LTIPs £	Total remuneration £
S Koseff (CEO)											
– 2017	399 530	69 668	10 802	1 000 000	**1 480 000**	**1 159 216**	**772 810**	**3 412 026**	**1 480 000**	**–**	**4 892 026**
– 2016	409 015	60 883	10 102	1 000 000	1 480 000	842 400	561 600	2 884 000	1 480 000	–	4 364 000
B Kantor (MD)											
– 2017	434 845	38 330	6 825	1 000 000	**1 480 000**	**1 159 216**	**772 810**	**3 412 026**	**1 480 000**	**–**	**4 892 026**
– 2016	445 128	25 379	9 493	1 000 000	1 480 000	842 400	561 600	2 884 000	1 480 000	–	4 364 000
GR Burger (GRFD)											
– 2017	292 493	36 652	7 164	1 000 000	**1 336 309**	**1 008 014**	**672 008**	**3 016 331**	**1 336 309**	**–**	**4 352 640**
– 2016	272 098	30 688	5 659	1 000 000	1 308 445	732 600	488 400	2 529 445	1 308 445	–	3 837 890
HJ du Toit (CEO IAM)											
– 2017	440 950	–	10 242	–	**451 192**	**3 720 000**	**930 000**	**5 101 192**	**–**	**–**	**5 101 192**
– 2016	440 950	–	9 924	–	450 874	3 924 000	–	4 374 874	–	1 089 150	5 464 024

Salary and benefits

- *Gross remuneration comprises base salary, fixed allowance and other benefits.*
- *Gross remuneration of S Koseff and B Kantor (excluding the fixed allowance of £1 million) remained unchanged from the previous year at £480 000. The gross remuneration for HJ du Toit largely remained the same as the prior year. The gross remuneration of GR Burger (excluding the fixed allowance of £1 million) is largely determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's Rand-based gross remuneration remained unchanged at R4 500 000 and his Pound-based gross remuneration was £91 961.*
- *The executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; medical cover; and fixed allowances, on similar terms to other senior executives.*
- *To ensure compliance with the requirements of CRD IV, the CEO, MD and GRFD have received fixed allowances, payable in shares. The fixed allowance of £1 million each to S Koseff, B Kantor and GR Burger was last year awarded in the form of 212,314 forfeitable Investec plc shares to each of the directors which vested immediately on award. These shares are, however, subject to a retention period in terms of which 20% of shares will be free from retention restrictions each year over a period of five years. The 212,314 Investec plc shares for each of the directors is included in their beneficial and non-beneficial interest holding on page 126.*
- *Retirement benefits: None of the directors belong to a defined benefit pension scheme and all are members of one of the defined contribution pension or provident schemes. The amounts reflected in the table above represent the contribution to these schemes payable by the company.*

STI

- *Notwithstanding that HJ du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group wide executive activities. Accordingly, HJ du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. HJ du Toit is the founder and CEO of IAM and is not classified as a material risk taker by PRA regulations. As a result, his compensation arrangements are not affected by the cap on variable remuneration. The short-term incentive payable to the CEO of IAM is 1.85% of the earnings of IAM before variable compensation and tax. For the year ended 31 March 2017, a payment of £4.65 million was due. 20% of this was deferred into the DBOP scheme, as described on page 146 and the balance was paid in cash. IAM reported an increase in operating profit before non-controlling interest of 22.3% to £164.8 million. Assets under management amounted to £95.3 billion, with -£0.6 billion in net flows.*
- *S Koseff, B Kantor and GR Burger are classified as PRA Material Risk Takers.*
- *The annual bonus for the year ended 31 March 2017 for S Koseff, B Kantor and GR Burger was determined with reference to performance against financial and non-financial metrics as set out below and described in detail on pages 117 to 119.*
- *Further information on the short-term incentives is set out on pages 117 to 119 and as discussed on page 116 a portion of bonuses are paid in cash and a portion is deferred. The portion deferred is deferred in shares.*

The determination of bonuses for the CEO, MD and GRFD are set out below:

- *The target short-term incentive pool available for the CEO, MD and GRFD for the year ended 31 March 2017 amounted to 0.66% of the group's adjusted operating profit, defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests. If the target performance conditions are achieved, distribution of the pool at target performance is as follows: 0.23% to the CEO, 0.23% to the MD and 0.20% to the GRFD.*
- *The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures described in the table below. The maximum aggregate pool, if all financial and non-financial stretch levels are achieved, would be 180% of (adjusted operating profit x 0.66%), subject to the remuneration cap as approved by shareholders.*

Long-term incentive awards

- *Long-term incentive awards were granted to S Koseff, B Kantor and GR Burger during the 2017 financial year. No LTIPs for S Koseff, B Kantor and GR Burger vested in 2017.*
- *Long-term incentive awards for HJ du Toit vested in 2016. The values provided in the table above represent the number of shares that vested multiplied by the market price of the shares at the date on which they vested. Further information was provided in Investec's 2016 integrated annual report.*

The determination of the bonus for S Koseff and B Kantor is shown below:

Adjusted operating profit at 31 March 2017 (£'000)	578 830
CEO/MD 'incentive pool' at 0.23% (£'000)	1 331
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	2 396
Maximum bonus subject to remuneration cap, whereby variable remuneration cannot exceed 242.3% of fixed remuneration (£'000)[1]	2 106

			Achievement levels				
Financial metrics	**Weighting**	**Actual achieve-ment at 31 March 2017**	**Threshold 0%**	**Target 100%**	**Stretch 200%**	**Actual allocation achieved £'000**	**Actual weighting achieved % vs target**
Return on risk-weighted assets	35%	1.45%	0.9%	1.2%	1.6%	758	162.7%
Return on equity	25%	12.5%	9%	12%	15%	384	115.2%
Tier 1 capital adequacy	12.5 %	11.1%	9.5%	10.5%	12.0%	233	140.0%
LCR	6.25%	369.4%	115%	132.5%	162.5%	166	200.0%
NSFR	6.25%	118.1%	82%	89.5%	99.5%	166	200.0%
Total	**85.0%**					**1 707**	**150.9%**

1 *The cap is calculated in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration, depending on the length of deferral, inflation and interest rates. It has been independently calculated at 242.3% for awards made in respect of the 2017 financial year.*

The portion of the 2016 bonus 'achieved' for financial metrics amounted to £1 214 000 (£536 000 for return on risk-weighted assets; £238 000 for return on equity; £158 000 for tier 1 capital adequacy; £141 000 for the LCR; and £141 000 for the NSFR). The portion of the bonus for the 2017 financial year attributable to performance against financial metrics is thus largely as a result of a strong improvement in most of the metrics.

Non-financial metrics

Following an assessment of these metrics (as described on pages 117 to 119) the remuneration committee decided to allocate an award of £224 658 (2016: £190 000) for performance against non-financial metrics. A score of 3 (i.e. weighting of 150%) was awarded to the 'culture and values' and 'employee relationship and development' categories, a score of 2 (i.e. weighting of 100%) was awarded to the 'franchise development' category and a score of 1 (i.e. weighting of 50%) was awarded to the 'Governance and regulator and shareholder relationships category'. Further information is provided on pages 116, 123 and 124.

Final bonus awarded to S Koseff and B Kantor

The results of the performance assessment against financial and non-financial metrics (reflected above) yield a bonus of £1 932 026. The short-term incentive and long-term incentive combined are subject to a cap of 242.3% of fixed remuneration, as above, and the awards to S Koseff and B Kantor fall within that cap.[1]

The determination of the bonus for GR Burger is shown below:

Adjusted operating profit at 31 March 2017 (£'000)	578 830
GRFD 'incentive pool' at 0.20% (£'000)	1 158
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	2 084
Maximum bonus subject to remuneration cap whereby variable remuneration cannot exceed 242.3% of fixed remuneration (£'000)[1]	1 902

			Achievement levels				
Financial metrics	**Weighting**	**Actual achieve-ment at 31 March 2017**	**Threshold 0%**	**Target 100%**	**Stretch 200%**	**Actual allocation achieved £'000**	**Actual weighting achieved vs % target**
Return on risk-weighted assets	35%	1.45%	0.9%	1.2%	1.6%	659	162.7%
Return on equity	25%	12.5%	9%	12%	15%	333	115.2%
Tier 1 capital adequacy	12.50%	11.1%	9.5%	10.5%	12.0%	203	140.0%
LCR	6.25%	369.4%	115%	132.5%	162.5%	145	200.0%
NSFR	6.25%	118.1%	82%	89.5%	99.5%	145	200.0%
Total	**85.0%**					**1 485**	**150.9%**

1 *The cap is calculated in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration, depending on the length of deferral, inflation and interest rates. It has been independently calculated at 242.3% for awards made in respect of the 2017 financial year.*

The portion of the 2016 bonus 'achieved' for financial metrics amounted to £1 056 000 (£466 000 for return on risk-weighted assets; £207 000 for return on equity; £139 000 for tier 1 capital adequacy; £122 000 for the LCR; and £122 000 for the NSFR). The portion of the bonus for the 2017 financial year attributable to performance against financial metrics is thus largely as a result of a strong improvement in most of the metrics.

Non-financial metrics

Following an assessment of these metrics (as described on pages 117 to 119) the remuneration committee decided to allocate an award of £195 355 (2016: £165 000) for performance against non-financial metrics. A score of 3 (i.e. weighting of 150%) was awarded to the 'culture and values' and 'employee relationship and development' categories a score of 2 (i.e. weighting of 100%) was awarded to the 'franchise development' category, and a score of 1 (i.e. weighting of 50%) was awarded to the "Governance and shareholder relationships category). Further information is provided below and on page 116.

Final bonus awarded to GR Burger

The results of the performance assessment against financial and non-financial metrics (reflected above) yield a bonus of £1 680 022. The short-term incentive and long-term incentive combined are subject to a cap of 242.3% of variable remuneration, and the bonus awarded to GR Burger falls within that cap.

An assessment of non-financial metrics

The following aspects were taken into consideration in the assessment of performance against the non-financial metrics for the CEO, MD and GRFD.

Areas of focus as set out on page 118	Achievements during the year
Culture and values:	
• Management visible and proactive in demonstrating appropriate behaviour • Performance-driven, transparent and risk-conscious organisation • Delivering appropriate and sustainable products with high levels of service and responsiveness • Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders • Continual monitoring of the culture of the group	• The executive have engaged in increased activities with employees at all levels through, for example, management hosted breakfasts, management panels, induction presentations – facilitating discussions on a number of aspects, including culture and values • The executive hosted and attended multiple functions with new and future leaders during the year • Our Human Resources and Organisational Development divisions continued to actively work with the executive and our management teams to ensure our values are lived and entrenched into our day-to-day activities
Governance and regulatory and shareholder relationships:	
• Maintaining open and transparent relations with regulators • Regulators should have confidence that the firm is being properly governed and managed • Shareholders should have confidence that the firm is being properly managed • Delivering appropriate and sustainable products with high levels of service and responsiveness	• The executive together with senior employees, the group chairman and the chairman of the remuneration committee meet regularly with shareholders and shareholder representative organisations. These engagements are important and contribute directly to decisions made by the remuneration committee • The executive have been supportive of the governance changes at Investec Bank plc • Investec Limited continues to cooperate with the Competition Commission Authorities in South Africa with respect to their investigation into alleged collusion in relation to foreign exchange. The bank has requested further information from the Authorities. Please refer to page 8 in volume two for further details • The South African Reserve Bank imposed a fine on Investec Bank Limited in 2016 for shortcomings in controls to prevent money laundering in certain parts of Investec Bank Limited. The bank is co-operating fully with the South African Reserve Bank to remediate the shortcomings

Areas of focus as set out on page 118	Achievements during the year
Franchise development:	
• Quality of brand, development of client base, commitment to the community and progress in building the firm • Environmental and other sustainability issues	• The Investec brand is well recognised • We continue to receive very positive feedback from clients regarding our service • We continued to grow our client base and invest in our franchise businesses • Investec and Stephen Koseff have been very pro-active in South Africa in support of multi-party democracy and free enterprise • Investec maintained its inclusion in a number of international sustainability indices • Investec was the winner of the Business in Community's Responsible Business Awards 2016 • Investec was the winner of the most socially responsible company in Africa in the 2016 SERAS awards • Our core values include unselfishly contributing to society. During the year we spent £7.1 million on social investment initiatives (2016: £5.0 million) • Our flagship educational initiative in South Africa, Promaths, continues to outpace the national average for Mathematics and Science
Employee relationship and development:	
• Succession and development of the next generation • Diversity and black economic empowerment initiatives and results • Continued development of people – both on the job and extramurally	• The executive have been active in developing the next level of management • There were no key personnel departures during the year • Investec was voted the second most attractive employer in the 2017 Universum Awards • Investec is a member of the 30% Club in South Africa and the UK committing to a goal of 30% woman on the board, and has made good progress towards the target of 33% female representation by 2020, per the Hampton – Alexander Review • In South Africa, Investec remains committed to black economic empowerment. During the year we received a level 2 BBBEE rating status from empowerdex. We remain committed to achieving greater representation at all levels of the business through the effective implementation of our employment equity plan. In respect of our quantitative targets we exceeded the target black headcount at the senior, middle and semi-skilled levels and marginally missed the targets at the top and junior management levels. • In 2017 we invested £22.9 million in the learning and development of our employees, compared to £14.7 million in the prior year • The executive hosted a group conference for a significant number of employees from across the group in 2016, contributing to employee relations and development • The executive have supported the development of the Women in Business initiative, a new initiative aimed at promoting the support and advancement of women in the workplace, while also focusing on supporting our female clients

Non-executive directors' single total remuneration figure (audited)

The table below provides a single total remuneration figure for each non-executive director over the financial period.

Name	Total remuneration 2017 £	Total remuneration 2016 £
Non-executive directors (current)		
F Titi (chairman)	425 000	415 000
ZBM Bassa	137 561	123 814
LC Bowden	90 000	87 500
CA Carolus	84 000	84 989
PKO Crosthwaite	221 627	196 015
D Friedland	310 861	294 590
CR Jacobs	88 500	85 988
IR Kantor	88 500	81 500
Lord Malloch-Brown KCMG	88 000	81 500
KL Shuenyane	133 149	121 132
PRS Thomas	200 879	205 510
Non-executive directors (no longer on the board)		
B Fried[1]	–	115 666
H Fukuda[2]	–	36 900
Total in Pounds Sterling	**1 868 077**	**1 930 104**

[1] *B Fried resigned from the board on 31 March 2016.*
[2] *H Fukuda resigned from the board on 6 August 2015.*

Payments to past directors and payments for loss of office (audited)

No such payments have been made.

Directors' shareholdings, options and long-term incentive awards (audited)

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2017.

Directors' shareholdings in Investec plc and Investec Limited shares at 31 March 2017 (audited)

Name	Beneficial and non-beneficial interest Investec plc[1] 31 March 2017	Beneficial and non-beneficial interest Investec plc[1] 1 April 2016	% of shares in issue[1] Investec plc 31 March 2017	Beneficial and non-beneficial interest Investec Limited[1] 31 March 2017	Beneficial and non-beneficial interest Investec Limited[1] 1 April 2016	% of shares in issue[1] Investec Limited 31 March 2017
Executive directors						
S Koseff[2]	**5 295 775**	5 274 035	0.8%	**1 234 399**	1 234 399	0.4%
B Kantor[2]	**1 164 359**	832 657	0.2%	**2 300 500**	2 800 500	0.8%
GR Burger[2]	**3 488 675**	3 316 390	0.5%	**327 076**	327 076	0.1%
HJ du Toit	**–**	–	–	**604 740**	604 740	0.2%
Total number	**9 948 809**	**9 423 082**	**1.5%**	**4 466 715**	**4 966 715**	**1.5%**
Non-executive directors						
F Titi (chairman)	**–**	–	–	**–**	–	–
ZBM Bassa	**–**	–	–	**–**	–	–
LC Bowden	**–**	–	–	**–**	–	–
CA Carolus	**–**	–	–	**–**	–	–
PKO Crosthwaite	**115 738**	115 738	–	**–**	–	–
B Fried[2]	**–**	–	–	**–**	–	–
D Friedland	**–**	–	–	**–**	–	–
H Fukuda OBE	**–**	–	–	**–**	–	–
CR Jacobs	**–**	–	–	**–**	–	–
IR Kantor	**1 009 045**	3 509 545	0.2%	**325**	325	–
Lord Malloch-Brown KCMG	**–**	–	–	**–**	–	–
KL Shuenyane	**19 900**	19 900	–	**–**	–	–
PRS Thomas	**–**	–	–	**–**	–	–
Total number	**1 144 683**	**3 645 183**	**0.2%**	**325**	**325**	**–**
Total number	**11 093 492**	**13 068 265**	**1.7%**	**4 467 040**	**4 967 040**	**1.5%**

The table above reflects holdings of shares by current directors.

1 *The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 129.*

2 *The beneficial and non-beneficial holdings of S Koseff, B Kantor and GR Burger, include 212 314 Investec plc shares which relate to the awards to each of the directors of shares in respect of a £1 million fixed allowance on 2 June 2016 (as explained on page 121). These shares are, however, subject to a retention period in terms of which 20% of shares will be free from retention restrictions each year over a period of five years.*

There are no requirements for directors to hold shares in the group.

There were no changes in notifiable interests between 31 March 2017 and 29 May 2017.

Directors' interest in preference shares at 31 March 2017 (audited)

Name	Investec plc 31 March 2017	Investec plc 1 April 2016	Investec Limited 31 March 2017	Investec Limited 1 April 2016	Investec Bank Limited 31 March 2017	Investec Bank Limited 1 April 2016
Executive director						
S Koseff	**12 139**	101 198	**3 000**	3 000	**4 000**	4 000

- *S Koseff disposed of holdings in his Investec plc preference shareholding on 27 July 2016. 80 000 Investec plc preference shares were tendered at £5.75 per share and a further 9 059 Investec plc preference shares were traded at R103.38 per share.*
- *The market price of an Investec Limited preference share at 31 March 2017 was R75.00 (2016: R73.20).*
- *The market price of an Investec Bank Limited preference share at 31 March 2017 was R82.00 (2016: R79.00).*

Directors' interest in options at 31 March 2017 (audited)

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2017 (audited)

Awards made in respect of the financial year ending 31 March 2013

Name	Number of Investec plc shares awarded on 16 September 2013	Exercise price	Performance period	Performance conditions met (Y/N)	Additional shares awarded for performance conditions being met	Balance at 31 March 2017	Period exercisable	Retention period
S Koseff	600 000	Nil	1 April 2013 to 31 March 2016	Yes	204 617	**804 617**	Seventy five percent is exercisable on 16 September 2017; and	A further six months retention after vesting date
							Twenty five percent on 16 September 2018, subject to performance criteria being met	A further six months retention after vesting date
B Kantor	600 000	Nil	1 April 2013 to 31 March 2016	Yes	204 617	**804 617**	Seventy five percent is exercisable on 16 September 2017; and	A further six months retention after vesting date
							Twenty five percent on 16 September 2018, subject to performance criteria being met	A further six months retention after vesting date
GR Burger	600 000	Nil	1 April 2013 to 31 March 2016	Yes	204 617	**804 617**	Seventy five percent is exercisable on 16 September 2017; and	A further six months retention after vesting date
							Twenty five percent on 16 September 2018, subject to performance criteria being met	A further six months retention after vesting date

The Executive Incentive Plan 2013 and the awards made on 16 September 2013 were approved at the July 2013 annual general meeting in terms of which 600 000 nil cost options each were awarded to S Koseff, B Kantor and GR Burger.

The performance criteria in respect of these awards were met and detailed in Investec's 2016 integrated annual report. These awards have now vested subject to the retention periods reflected above.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2017 (audited)

Long-term share awards granted in respect of the 2016 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2016	Conditional awards made	Balance at 31 March 2017	Perform-ance period	Period exercisable	Retention period
S Koseff	2 June 2016	Nil	–	314 225	**314 225**	1 April 2016 to 31 March 2019	One third is exercisable on 2 June 2019; one third on 2 June 2020 and the final third on 2 June 2021 subject to performance criteria being met	A further six-month retention after vesting date
B Kantor	2 June 2016	Nil	–	314 225	**314 225**	1 April 2016 to 31 March 2019	One third is exercisable on 2 June 2019; one third on 2 June 2020 and the final third on 2 June 2021 subject to performance criteria being met	A further six-month retention after vesting date
GR Burger	2 June 2016	Nil	–	277 801	**277 801**	1 April 2016 to 31 March 2019	One third is exercisable on 2 June 2019; one third on 2 June 2020 and the final third on 2 June 2021 subject to performance criteria being met	A further six-month retention after vesting date

The Executive Incentive Plan 2013 and the awards made thereunder were approved at the August 2015 annual general meeting.

On 2 June 2016, 314 225 conditional awards were awarded to S Koseff and B Kantor, and 277 801 to GR Burger. These awards formed part of their variable remuneration in respect of the financial year ending 31 March 2016. The value of these awards is reflected in the table on page 114.

The performance criteria in respect of these awards are detailed on pages 119 and 120. These awards have not yet vested. The face value at grant for these awards amounted to £1 480 000 for S Koseff and B Kantor, and £1 308 000 for GR Burger based on the share price for Investec plc at the time of grant.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2017 (audited)

Long-term share awards granted in respect of the 2017 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2017	Conditional awards made during the year	Performance period	Period exercisable	Retention period
S Koseff	8 June 2017	Nil	–	**252 130**	1 April 2017 to 31 March 2020	Twenty per cent is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024 subject to performance criteria being met	A further six-month retention after vesting date
B Kantor	8 June 2017	Nil	–	**252 130**	1 April 2017 to 31 March 2020	Twenty per cent is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024 subject to performance criteria being met	A further six-month retention after vesting date
GR Burger	8 June 2017	Nil	–	**227 651**	1 April 2017 to 31 March 2020	Twenty per cent is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024 subject to performance criteria being met	A further six-month retention after vesting date

The Executive Incentive Plan and the awards made thereunder were approved at the August 2015 annual general meeting.
On 8 June 2017, 252 130 conditional awards were awarded to S Koseff and B Kantor, and 227 651 to GR Burger. These awards formed part of their variable remuneration in respect of the financial year ending 31 March 2017. The value of these awards is reflected in the table on page 114. The performance criteria in respect of these awards are detailed on pages 119 and 120. These awards have not yet vested.
The face value at grant for these awards amounted to £1 480 000 for S Koseff and B Kantor, and £1 336 309 for GR Burger based on the average of the closing share price for Investec plc from 30 May 2017 to 2 June 2017.

The number of shares in issue and share prices for Investec plc and Investec Limited are provided below:

Summary: Investec plc and Investec Limited share statistics

	31 March 2017	31 March 2016	High over the year	Low over the year
Investec plc share price	£5.44	£5.13	£6.19	£4.19
Investec Limited share price	R91.46	R109.91	R112.11	R81.46
Number of Investec plc shares in issue (million)	657.1	617.4		
Number of Investec Limited shares in issue (million)	301.2	291.4		

Shareholder dilution

Summary of Investec's share option and long-term incentive plans

Eligibility	Maximum award per individual	Vesting period	Options/ shares granted during the year[2]	Total issued at 31 March 2017[3/4/5/6]
Investec 1 Limited Share Incentive Plan – 16 March 2005 – Investec plc				
• New and existing full-time employees	• Cumulative limit of 2 500 000 across all option plans	• Long-term incentive awards - Nil Cost Options: • Non-material Risk Takers: Vesting seventy five percent end year four and twenty five percent end year five • Material Risk Takers: Vesting seventy five percent end of three and a half years and twenty five percent at the end of four and a half years with six month retention	–	19 924 777 2.08% of issued share capital of company
• New and existing full-time employees	• Excluding deferred bonus share awards	• Long-term share awards: Forfeitable Shares and Conditional Shares • One third vesting at the end of years three, four and five for non-material Risk Takers	3 653 622	3 546 942 0.37% of issued share capital of company
• New and existing full-time employees	• In any financial year: 1x remuneration package[1]	• Market strike options: twenty five percent vesting end of years two, three, four and five	12 150	289 764 0.03% of issued share capital of company
Investec plc Executive Incentive Plan – 2013				
• Executive management and Material Risk Takers	• Cumulative limit of 2 500 000 across all option plans • Excluding deferred bonus share awards • In any financial year: 1x remuneration package[1]	• Long-term share awards: • Junior Material Risk Takers: Vest one third at the end of two and a half, three and a half and four and a half years • Risk Managers and FCA Designated Senior Managers: Vest one third at the end of two and a half, three and a half and five years • PRA Designated Senior Managers: Vest twenty per cent per annum from three to seven years • All have a six month retention period thereafter	2 221 871	2 221 871 0.23% of issued share capital of company
Investec Limited Share Incentive Plan – 16 March 2005 – Investec Limited				
• New and existing full-time employees	• Cumulative limit of 2 500 000 across all option plans	• Long-term incentive awards: Nil Cost Options • Vesting seventy five percent at end year four and twenty five percent at end year five	–	29 510 704 3.08% of issued share capital of company
• New and existing full-time employees	• Excluding deferred bonus share awards • In any financial year: 1x remuneration package[1]	• Long-term share awards: forfeitable shares and Conditional shares • Vesting one third at the end of years three, four and five.	7 849 627	7 756 347 0.81% of issued share capital of company

1 *The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that awards should be granted in excess of that limit.*

2 *This represents the number of awards made to all participants. For further details, see pages 57 and 58 in volume three. More details on the directors' shareholdings are also provided in tables accompanying this report.*

3 *Dilution limits: Investec is committed to following the Investment Association principles of remuneration and accordingly, as from the date of the implementation of our DLC structure (29 July 2002), the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling 10-year period. We have, since our listing date, complied with both the 10% in 10 years guideline for discretionary and non-discretionary awards in aggregate as well as the 5% in 10 year guideline for discretionary awards. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. Shares issued in terms of the group's deferred bonus scheme are paid for by the respective division at the time of the award and are not included in these dilution calculations as they have been issued for full value. The issued share capital of Investec plc and Investec Limited at 31 March 2017 was 657.1 million shares and 301.2 million shares, respectively.*

4 *The market price of an Investec plc share at 31 March 2017 was £5.44 (2016: £5.13), ranging from a low of £4.19 to a high of £6.19 during the financial year.*

5 *The market price of an Investec Limited share at 31 March 2017 was R91.46 (2016: R109.91), ranging from a low of R81.46 to a high of R112.11 during the financial year.*

6 *The rules of these long-term incentive plans do not allow awards to be made to executive directors. The table above excludes details of the Investec plc Executive Incentive Plan 2013 on pages 127 to 129.*

Directors' remuneration – alignment of interests with shareholders (unaudited)

Performance graph: total shareholder return

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is important that we take their views into account. Accordingly, a series of meetings are held each year with our major shareholders and shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and the group chairman. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002. We have been listed in South Africa since 1986.

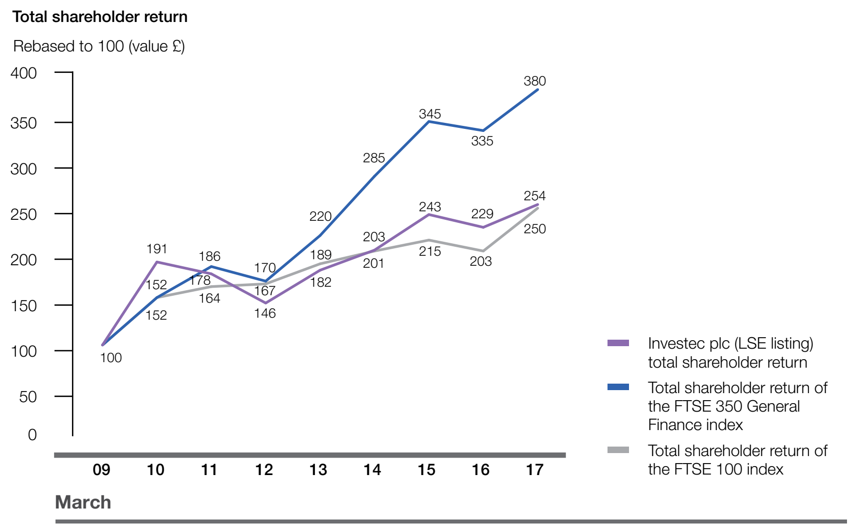
Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended) requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, to date this has been the most appropriate index against which to measure our performance on the LSE. Although we are not currently included in the FTSE 100, we were part of that index between 2010 and 2011 and we have included the total shareholder return of that index for illustrative purposes.

The graph below shows the cumulative shareholder return for a holding of our shares (in purple) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2017, a hypothetical £100 invested in Investec plc at 31 March 2009 would have generated a total return of £154 compared with a return of £280 if invested in the FTSE 350 General Finance Index and a return of £150 if invested in the FTSE 100 Index.

During the period from 1 April 2016 to 31 March 2017, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 10.9% and -12.5%, respectively. This compares to a 13.3% return for the FTSE 350 General Finance Index, a return of 23.3% for the FTSE 100 Index and a return of 0.7% for the JSE Top 40 Index.

The market price of our shares on the LSE was £5.44 at 31 March 2017, ranging from a low of £4.19 to a high of £6.19 during the financial year. The market price of our shares on the JSE Limited was R91.46 at 31 March 2017, ranging from a low of R81.46 to a high of R112.11 during the financial year.

Performance graph



Source: Datastream

Table of CEO remuneration

In addition, the table below provides an eight-year summary of the total remuneration of the CEO. For the purpose of calculating the value of the remuneration of the CEO, data has been collated on a basis consistent with the 'single remuneration figure' methodology as set out on page 121.

Year ended 31 March	2010	2011	2012	2013	2014	2015	2016	2017
CEO single figure of total remuneration (£'000)	**2 660**	**3 425**	**450**	**4 602**	**2 420**	**3 970**	**4 364**	**4 892**
Salary, benefits, fixed allowance and bonus (£'000)*	2 660	3 425	450	1 950	2 420	3 970	2 884	3 412
Long-term incentives granted (value reflects share price multiplied by number of shares awarded at date of award)** (£'000)	–	–	–	2 652	–	–	1 480	1 480
% maximum of short-term incentive	n/a^	n/a^	n/a^	n/a^	50%	65%	95%	92%

* *The fixed allowance is granted in shares which are released over five years.*

** *Historical long-term incentives did not vest as they did not meet performance conditions in the relevant periods. Incentives awarded on 16 September 2013 have been tested against performance criteria, as shown on page 127, and are now due to vest in 2017 and 2018. Incentives awarded on 2 June 2016 and 8 June 2017 (as reflected in the March 2016 and March 2017 information respectively) are still subject to performance conditions and have not yet vested.*

^ *Historically annual bonuses were not determined in terms of a formulaic approach where maximum and minimum awards could be derived.*

Percentage change in the CEO's remuneration

The table below shows how the percentage change in the CEO's salary and annual bonus between 2016 and 2017 compares with the percentage change in each of those components of remuneration for Investec plc employees and Investec Limited employees.

	Salary and benefits	Annual bonus
CEO (in Pounds Sterling)	0.0%	37.6%
Increase in total costs for Investec plc employees (in Pounds Sterling)	15.1%	21.7%
Increase in total costs for Investec Limited employees (In Rands)	10.7%	(3.3%)

Relative importance of spend on remuneration

Our value-added statement is provided on page 10. In summary, the relative importance of remuneration and distributions to shareholders is shown below:

£'000	31 March 2017	31 March 2016	% change
Group compensation costs	1 079 701	912 435	18.3%
– Fixed	690 161	581 847	18.6%
– Variable	389 540	330 588	17.8%
Dividends to shareholders	242 440	206 139	17.6%
– Ordinary shares	216 602	180 009	20.3%
– Preference shares	25 838	26 130	(1.1%)

Statement of voting at 2016 annual general meeting

The combined results on each of the two remuneration resolutions passed at the 2016 annual general meetings of Investec plc and Investec Limited were as follows:

	Number of votes cast 'for' resolution	% of votes 'for' resolution	Number of votes cast 'against' resolution	% of votes 'against' resolution	Number of abstentions
To approve the directors' remuneration report	568 121 333	80%	139 600 542	20%	2 269 341
To approve the non-executive directors' remuneration	684 494 403	97%	24 756 363	3%	740 451

Additional remuneration disclosures (unaudited)

South African Companies Act, 2008 disclosures

In compliance with to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act, No 71 of 2008 (as amended), read together with the Companies Regulations 2011 (together the Act), as prescribed officers.

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i.e. Asset Management, Wealth & Investment and Specialist Banking, the prescribed officers for Investec Limited, as per the Act, are the following heads of the group's three distinct business activities:

- Asset Management
  - Hendrik du Toit
- Wealth & Investment
  - Steve Elliott
- Specialist Banking
  - David van der Walt
  - Ciaran Whelan

Hendrik du Toit is one of the executive directors of Investec Limited and his remuneration is disclosed on page 121.

Steve Elliott is remunerated by Investec Wealth & Investment Limited (a UK domiciled company and subsidiary of Investec plc), and David van der Walt and Ciaran Whelan are employed by Investec Bank plc (a UK domiciled company and a subsidiary of Investec plc). As a result, they are not required to disclose their remuneration under the South African Companies Act.

Directors' remuneration policy for the year ending 31 March 2018 and subsequent years

Shareholders voted in favour of our directors' remuneration policy at the August 2015 annual general meeting and the policy was effective from that date. It is anticipated that it will remain in force until the 2018 annual general meeting unless regulatory changes or the business or economic environment necessitate earlier amendment. The only significant changes within the policy for the 2017 financial year are the extension of the deferral and clawback periods for the executive directors' short-term incentive and long-term incentive, to comply with the extended deferral requirements under the PRA and FCA Remuneration Codes. The vesting periods of the short-term and long-term share awards have been extended to ensure that a minimum of 60% of the executive directors' variable remuneration is deferred over a period of three to seven years, while the clawback provisions have been extended to seven years, with an extension to ten years in the event of an ongoing investigation. The committee believes that, as the changes are due to regulatory requirements and are more onerous than those under the approved policy, it can make these changes, and consequently the remuneration policy will not be put to a vote at the annual general meeting this year.

Scope of our remuneration policy

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the group. This is relevant to Investec plc and its subsidiary companies that are subject to the PRA and FCA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to Material Risk Takers. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec plc group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the Investec group policy and in line with such entity's own risk profile and business activities:

- Investec Asset Management Limited
- Investec Wealth & Investment Limited
- Investec Bank plc
- Hargreave Hale Limited.

Under the PRA and FCA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Asset Management and Wealth Management businesses have been classified as level 3 entities under the proportionality rules of the PRA and FCA Remuneration Code.

More details of the remuneration policies applied in each of our subsidiary companies can be found on pages 141 to 148.

Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, their communities and the group.

Remuneration principles

Remuneration policies, procedures and practices, collectively referred to as the 'remuneration policy', are designed, in normal market conditions, to:

- Be in line with the business strategy, objectives, values and long-term interests of the Investec group
- Be consistent with and promote sound and effective risk management, and not encourage risk taking that exceeds the level of tolerated risk of the Investec group
- Ensure that payment of variable remuneration does not limit the Investec group's ability to maintain or strengthen its capital base
- Target gross fixed remuneration (base salary and benefits including pension) at median market levels to contain fixed costs

- Ensure that variable remuneration is largely economic value added (EVA) – based and underpinned by our predetermined risk appetite and capital allocation
- Facilitate alignment with shareholders through deferral of a portion of short-term incentives into shares and long-term incentive share awards
- Target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of Material Risk Takers (as discussed hereunder).

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive (share awards) providing long-term equity participation
- Certain of our Material Risk Takers receive fixed monthly cash allowances (where appropriate for the role) and a commensurate reduction of variable short-term incentive.

The CEO, MD and GRFD receive a fixed allowance in shares, as outlined in the table on page 121.

Benchmarks

The short-term incentive initially allocated to the CEO and pool (as reflected in our policy) in 2015 was arrived at after extensive benchmarking over a five-year period against short-term incentives of: (i) chief executive officers, and (ii) groups of executive directors for a bespoke peer group (and sub-groups of South African and non-South African peers) comprising: Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon. The short-term incentive sharing percentage was reduced by 50% in 2016 to reflect the reintroduction of the long-term incentive.

The levels of CEO profit share and the pool are more compatible with international reward levels than South African reward levels. The committee believes this is appropriate, given the complexity of Investec and the challenges involved in managing a group operating across three businesses in two core geographies.

The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures (as discussed on pages 117 to 119).

Impact of CRD IV on executive directors' remuneration arrangements

CRD IV is EU regulation that has been effective from 1 January 2014. The main feature of CRD IV that impacts directors' remuneration at Investec is the application of a cap on variable remuneration that can be awarded to Material Risk Takers (including executive directors). At the 2014 annual general meeting, shareholders approved a maximum variable remuneration: fixed remuneration ratio of 2:1, which applied to variable remuneration awarded in respect of the 2015 performance year and thereafter.

This cap is defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2:1, depending on the length of deferral, inflation and interest rates. This is currently approximately 2.4x fixed remuneration.

Remuneration of the CEO of IAM

Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group wide executive duties. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Consequently, the structure and quantum of his remuneration differs in many respects from that of the other executive directors. For example, in line with practice in asset management businesses, his short-term incentive is uncapped.

Hendrik du Toit's remuneration arrangements are not impacted by CRD IV as IAM is not subject to these requirements, and accordingly Hendrik du Toit is not defined as a PRA Material Risk Taker. He is entitled to an annual bonus as determined with respect to the performance of IAM only. Hendrik is the founder of IAM and is entitled to 1.85% of the earnings of IAM before tax and variable remuneration. 20% of the bonus of Hendrik du Toit was deferred into the IAM DBOP scheme. As outlined on page 146, the DBOP awards are made in the form of investments into various funds managed by IAM. The deferral period is just over three years and awards are only paid out under specific listed conditions. Hendrik du Toit is subject to malus and clawback provisions relating to IAM.

Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme as explained on pages 146 and 147.

Executive directors' remuneration policy table

The table below summarises the remuneration policy for executive directors for the year ending 31 March 2018.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Fixed remuneration			
Salary			
• To provide an industry competitive package so that we are able to recruit and retain the people that we need to develop our business • Salaries reflect the relative skills and experience of, and contribution made by, the individual	• Salaries of executive directors are reviewed and set annually by the remuneration committee • Salaries are benchmarked against relevant comparator groups	• Targeted at median market levels when compared with relevant comparator groups[1] • Annual increases in salaries are referenced to the average increase awarded to other employees, unless the remuneration committee deems adjustments to be made relating to market factors	• None
Fixed allowances – CEO, MD and GRFD			
• To provide competitive remuneration recognising the breadth and depth of the role	• Fixed allowance reviewed by the remuneration committee every three years or on a change of role • Paid in shares • Deferred over a five-year period with 20% being released each year	• £1 million per annum paid in shares	• None
Benefits			
• To provide a market competitive package	• Benefits are benchmarked against relevant comparator groups[1] • Executive directors may elect to sacrifice a portion of their annual gross remuneration in exchange for benefits such as travel allowances and medical aid	• Benefits include: life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices • There is no maximum value but the value of benefits provided will generally be in line with market comparators	• None
Pension/provident			
• To enable executive directors to provide for their retirement	• Executive directors participate in defined contribution pension/ provident schemes • Only salaries, not fixed allowances or annual bonuses, are pensionable	• The individual can elect what proportion of fixed remuneration is allocated as their pension/provident contribution	• None

[1] *Refer to page 137.*

Remuneration report

(continued)

Executive directors' remuneration policy table *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Variable remuneration			
Short-term incentive – CEO, MD and GRFD			
• Alignment with key business objectives • Deferral structure provides alignment with shareholders	• Establishment of a short-term incentive pool-based on the group's adjusted operating profit (AOP)[2] • Receive 30% in cash immediately; 30% in upfront shares; • The remaining 40% is deferred; of this portion, an amount that ensures 60% of total variable remuneration (short-term incentive plus long-term incentive) is deferred over three to seven years, vests 20% per annum commencing on the third anniversary • The remaining portion vests equally after one and two years • Shares must be retained for a period of six months after vesting • The retention period will be extended to one year in respect of awards for the year ending 31 March 2018 and subsequent years • Remuneration committee retains discretion to reduce the amount payable to ensure that incentives truly reflect performance and are not distorted by an unintended formulaic outcome • Awards are subject to malus of unvested shares and clawback on the entire award	• Based on a balanced scorecard of financial and non-financial performance measures with achievement levels that correspond with our short-term objectives • 85% based on financial measures including: – Return on risk-weighted assets; – Return on equity; – Tier 1 capital adequacy; – Liquidity coverage ratio; and – Net stable funding ratio. • 15% based on non-financial measures including: – Culture and values; – Franchise development; – Governance and regulatory compliance; and – Employee and shareholder relationships. • If target performance conditions achieved, distribution will be as follows: 0.23% of AOP to CEO; 0.23% of AOP to MD; and 0.20% of AOP to GRFD[2] • If all financial and non-financial stretch levels are met, up to 180% of the target may be awarded, subject to an overall maximum of variable remuneration (including LTIPs) being subject to the remuneration cap[3] • The remuneration committee has discretion to vary the weightings of the performance metrics to improve alignment with business strategy	• The vesting period has been extended, in line with regulatory requirements
Short-term incentive – CEO of IAM[4]			
• To reward behaviour and effort against objectives and values and retain key employees • The cash bonus pool determination is based on the profitability of IAM only	• 20% of the short-term incentive will be deferred into the IAM DBOP scheme, vesting after three years • The balance of the short-term incentive is payable in cash shortly after the end of the financial year • The cash bonus payment to the CEO of IAM is approved by the DLC remuneration committee • Awards are subject to malus and clawback relating to IAM	• The CEO of IAM is entitled to 1.85% of the earnings of IAM before tax and variable compensation • The IAM remuneration committee reviews the financial results of IAM within the context of the risk appetite of the business and can risk-adjust the cash bonus should they believe this is required given the risk taken and the overall financial results	• The introduction of deferral

[2,3,4] *Refer to page 137.*

Executive directors' remuneration policy table *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Long-term incentive – CEO, MD and GRFD			
• Clear link between performance and remuneration • Embeds alignment with shareholder returns • Performance targets aligned with business objectives • Non-financial metrics take into account the group's strategic and operational objectives	• Applies to the CEO, MD and GRFD[5] • Conditional awards of shares subject to performance conditions measured over three financial years • Awards vest twenty per cent per annum commencing on the third anniversary and ending on the seventh anniversary of grant • Vested shares are subject to a further six-month retention period • The retention period will be extended to one year in respect of awards for the year ending 31 March 2018 and subsequent years • Awards are subject to malus of unvested shares and clawback of vested shares • Remuneration committee retains discretion to adjust the level of awards vesting to ensure that incentives truly reflect performance and are not distorted by an unintended formulaic outcome	• Annual award of 100% of aggregate fixed remuneration • Awards are subject to the following performance measures and weightings: – Growth in tangible net asset value (40%); – Return on risk-weighted assets (35%); – Non-financial measures (25%). • Targets for financial performance measures and non-financial metrics will be set annually by the remuneration committee in advance of the award being made • The remuneration committee has discretion, in exceptional circumstances, to amend targets or measures if an event happens that, in the opinion of the committee, caused those targets or measures to no longer be appropriate • The remuneration committee retains the discretion to adjust the weightings of performance measures to best meet the objectives of the business	• The vesting period has been extended, in line with regulatory requirements

Notes to the preceding table:

1. *Peer group companies include Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon.*
2. *AOP defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.*
3. *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (currently approximately 2.4x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*
4. *Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group wide executive activities. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Hendrik du Toit is not defined as a Material Risk Taker and is entitled to an annual bonus as determined with respect to the performance of IAM only as explained in the table above.*
5. *Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme as explained on pages 146 and 147.*

How will executive directors' performances be assessed?

The short-term and long-term incentives are subject to performance conditions.

A detailed explanation of these performance measures is provided on pages 117 to 119. The performance measures have been selected taking into account:

- Key stakeholders' requirements (including shareholders and regulators) which were assessed through extensive consultations on the matter
- The preference of the committee and the board is for a range of financial metrics that ensure an appropriate balance between measures which drive profitability and prudential measures. In addition, the remuneration committee believes that it is right to include non-financial measures in determining levels of awards as directors should be incentivised to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns.

Differences between the remuneration policy of the executive directors and the policy for all employees

We apply consistent remuneration principles and philosophies across the whole employee population and are cognisant of these when considering executive directors' remuneration. The quantum of salary and benefits paid to executive directors is benchmarked against appropriate comparator groups (as discussed on page 134), however, the annual increase in such remuneration is referenced to the average increase awarded to employees in South Africa and the UK, respectively. Although this has not been the case of late, the remuneration committee may, under certain circumstances, make adjustments outside these parameters, particularly in cases when there have been large adjustments in the comparator group referenced.

As is the case with other employees, the short-term incentive is performance-based, however, there are a number of specific performance criteria that apply in the case of determining the annual bonus for the CEO, MD and GRFD (as set out below). The annual bonus for Hendrik du Toit (CEO of IAM and executive director of the Investec group) is referenced to the performance of IAM only. Short-term incentives for executive directors and the employees, defined as Material Risk Takers, are subject to deferral, malus and clawback requirements. The requirements of CRD IV are only applicable to the CEO, MD and GRFD and to some employees in the UK Specialist Bank who are classified as Material Risk Takers.

More details of the approach to employee remuneration can be found on pages 141 to 148.

Policy for the recruitment of new executive directors

It is intended that the approach to the recruitment of new executive directors will be in line with the current remuneration policy for executive directors as outlined above and below. However, the remuneration committee will consider levels of remuneration for new recruits that are competitive for the skills and experience of the individual being recruited. For individuals covered by the bonus cap under CRD IV, the treatment of each element of remuneration on recruitment will be as set out below.

Element	Commentary	Maximum value
Salary	Determined by market conditions, market practice and ability to recruit If salary below market level on recruitment or promotion, remuneration committee may realign salary over transitional period with higher than normal increases	In line with policy
Fixed allowance	Determined by similar factors to salary	Currently £1 million
Pension	In line with normal policy	15% of salary
Other benefits	Offered in line with normal policy	In line with policy
STI	In line with normal policy	100%* of fixed remuneration
LTIP	In line with normal policy	100% of fixed remuneration
Buy-outs	The remuneration committee can buy out a bonus or incentive awards that the new executive director has forfeited as a result of accepting the appointment, subject to proof of forfeiture where applicable As required by the PRA and FCA Remuneration Code, any award made to compensate for forfeited remuneration should be broadly no more generous than, and should aim to mirror the value timing, and form of delivery of the forfeited remuneration	

* *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (currently approximately 2.4x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

If the new joiner is not affected by the bonus cap then the remuneration committee may construct a package as set out above, but then may allocate the amount of the fixed allowance into STI or LTI award opportunities as appropriate given market factors and other relevant comparator trends.

Service contracts and terms of employment

The terms of service contracts and provision for compensation for loss of office for the four executive directors is set out below.

CEO, MD and GRFD	CEO IAM
Indefinite service contracts of employment, terminable by either party with six months' written notice	Indefinite contract of employment, terminable by either party with three months' written notice
Salary, fixed allowance, benefits and pension payable for period of notice	Salary, benefits and pension payable for period of notice
No provision for compensation payable on early termination	No provision for compensation payable on early termination
Outstanding deferred bonus EVA shares or LTI awards lapse on resignation or termination for gross misconduct	n/a
Deferred share or LTI awards may be retained if the director is considered a 'good leaver' (e.g. retirement with a minimum of 10 years' service, disability or ill health)	n/a
In the event of a takeover or major corporate event, the remuneration committee has the discretion to determine whether all outstanding awards vest at the time of the event or whether they continue in the same or revised form	n/a
There is no formal shareholding requirement	There is no formal shareholding requirement

Executive directors are permitted to accept outside appointments on external boards or committees provided these are not deemed to interfere with the business of the company. Any fees earned by executives in this regard are forfeited to Investec.

Copies of the service contracts are available for inspection at the company's registered office.

How does executive directors' remuneration change based on performance?

Illustrative scenarios for executive directors' remuneration

The charts on page 140 show the potential value of the executive directors' remuneration arrangements under this policy in three performance scenarios:

- 'Minimum' – fixed remuneration only
- 'At target' – fixed remuneration and the 'at target' variable short-term annual incentive and 'at target' vesting of any long-term incentives that may be awarded
- 'At stretch' – fixed remuneration and the 'stretch' achievement levels that may be awarded for variable short-term annual incentive and 'stretch' vesting of any long-term incentives that may be awarded.

The scenarios do not reflect share price movement between award and potential vesting, nor are any dividends or dividend equivalents taken into account.

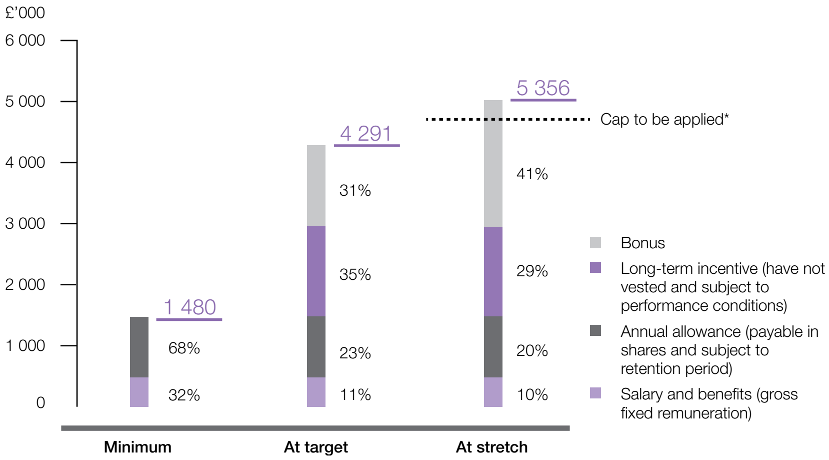
For the CEO, MD and GRFD based on the remuneration policy proposed for the year ending 31 March 2018:

- Fixed remuneration includes salaries, company pension contributions and benefits receivable (i.e. as proposed for the year ending 31 March 2018), and a fixed allowance of £1 million
- Target variable short-term incentive is 0.23% (CEO and MD) and 0.20% for the GRFD of adjusted operating profit (after total non-controlling interests) based on £578.8 million as reported for the financial year ended 31 March 2017 and maximum variable short-term incentive is 180% of target (subject to an overriding maximum in terms of the remuneration cap as approved by shareholders and depending on the length of deferral, inflation and interest rates)
- Target long-term incentive is equal to one times fixed remuneration.

For the CEO of IAM:

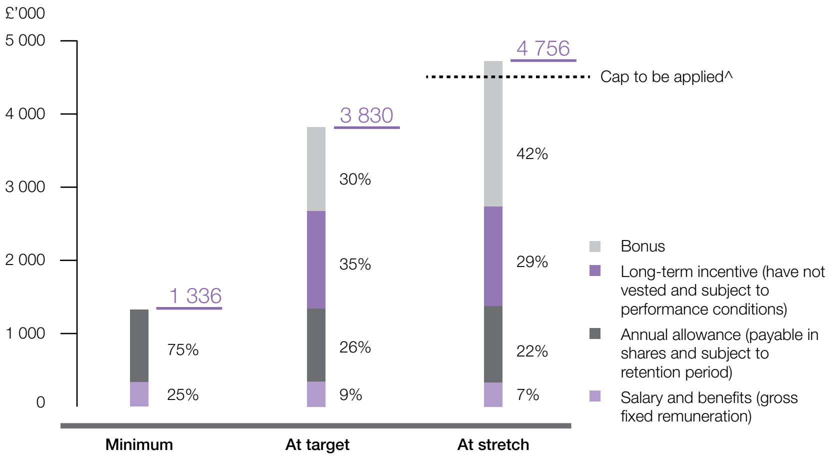
- Fixed remuneration includes the latest known salary, company pension contributions and the benefits receivable during the year ended 31 March 2017
- Variable short-term incentive is 1.85% of pre-tax and pre-compensation earnings of IAM, determined on a discretionary and uncapped basis
- Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme
- Forecasted information cannot be provided to determine a stretch or target amount for future years and thus the graph on the next page merely depicts amounts paid in the current and prior financial year.

Illustrative payouts for the CEO and MD



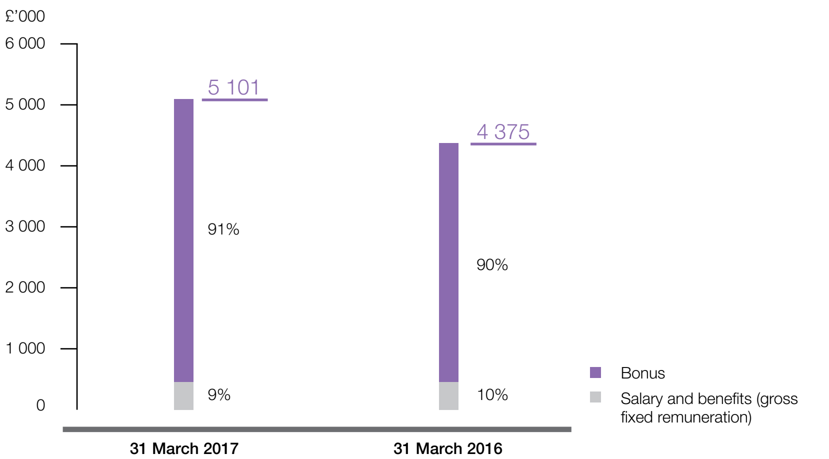
* The maximum potential remuneration as calculated in terms of the formula is £5.356 million. However, this amount will be capped to £5.032 million when one applies the remuneration cap as approved by shareholders.

Illustrative payouts for the GRFD



^ The maximum potential remuneration as calculated in terms of the formula is £4.756 million. However, this amount will be capped to £4.543 million when one applies the remuneration cap as approved by shareholders.

Illustrative payouts for the CEO of IAM



Remuneration policy for non-executive directors

The board's policy is that fees should reflect individual responsibilities and membership of board committees. The increase in non-executive directors' fees for the forthcoming year reflects current market conditions and additional time commitment required. Their fee structure covers the dual roles that the directors perform for the UK-listed Investec plc and the South African-listed Investec Limited boards and are awarded equally between the two companies.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Non-executive directors' remuneration			
Fees			
To provide industry competitive fees to attract non-executive directors with appropriate skills and experience	• Fees of non-executive directors are reviewed annually by the board taking into account market data and time commitment • The fee structure covers the dual roles that the directors perform for the UK-listed Investec plc and the South African-listed Investec Limited boards • In addition to fees for board membership, fees are payable to the senior independent director, chairmanship and membership of major DLC board committees, membership of the Investec Bank Limited and Investec Bank plc boards and for attendance at certain committee meetings	• Fee increases will generally be in line with inflation and market rates • Aggregate fees payable by Investec plc are subject to an overall maximum of £1 million under the Investec plc articles • Refer to page 120 for further information	Note: Value-Added Tax (VAT), at the prevailing rate, where applicable, will be added to the fees. Two binding general rulings were issued by the South African Revenue Service (SARS) in early 2017 confirming the South African Value-Added Tax (VAT) law that requires non-executive directors of companies to register for and charge VAT in respect of any directors' fees earned for services rendered as a non-executive director that exceed the prescribed threshold. These rulings are effective 1 June 2017.

Fees are also payable for any additional time committed to the group, including attendance at certain other meetings.

There is no requirement for non-executive directors to hold shares in a group company. The group has left this choice to the discretion of each non-executive director.

The policy as described above will be taken into account in the recruitment of new non-executive directors.

Copies of the letters of appointment are available for inspection at the company's registered office.

Shareholder and employee views

Shareholder views in the consideration of executive directors' remuneration arrangements

We recognise that remuneration is an area of particular interest to shareholders and shareholder representative bodies, and that in setting and considering changes to remuneration, it is important that we take their views into account. Accordingly, we meet regularly with our major shareholders and shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and the chairman. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

The remuneration committee and the board believe in effective and transparent communication with key stakeholders, and will continue to engage on matters that may arise and are of importance and/or concern to stakeholders.

Statement of consideration of employment conditions elsewhere in the group

The remuneration policy of executive directors has been drawn up in line with our group wide remuneration philosophy and principles (refer below), subject to the requirements of CRD IV. The committee is mindful of the remuneration arrangements across the group.

Additional remuneration disclosures (unaudited)

Remuneration policy and principles for employees

Our policy with respect to the remuneration of employees has remained unchanged during the year ending 31 March 2017. Investec currently has 53 Material Risk Takers, of which a number receive a fixed monthly cash allowance where appropriate for the role.

All remuneration payable (salary, benefits and incentives) is assessed at a group, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive (share awards) providing long-term equity participation
- Certain of our Material Risk Takers receive fixed monthly cash allowances (where appropriate for the role) and a commensurate reduction of variable short-term incentive
- The CEO, MD and GRFD receive a fixed allowance in shares, as outlined in the table on page 121.

We consider the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term in a risk-conscious manner. Overall, rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our culture and values in the pursuit of excellence in a regulated industry and within an effective risk management environment is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success.

We target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of Material Risk Takers (as discussed on page 134).

The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not contractually (and do not consider ourselves morally) bound to make variable remuneration awards. Investec has the ability to pay no annual bonuses and make no long-term incentive awards should the performance of the group or individual employees require this.

We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations.

Furthermore, employees must undertake not to use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group Compliance maintains arrangements designed to ensure that employees comply with this policy.

No individual is involved in the determination of his/her own remuneration rewards and specific internal controls and processes are in place to prevent conflicts of interest between Investec and its clients from occurring and posing a risk to the group on prudential grounds.

In summary, we recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Determination of remuneration levels

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at the level of the group include:

- Financial measures of performance:
  - Risk-adjusted EVA model
  - Affordability.
- Non-financial measures of performance:
  - Market context
  - Specific input from the Group Risk and Compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- Non-financial measures of performance
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the group's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the Group Risk and Compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive, on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made

- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For employees generally, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmarks
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments may be made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of remuneration components for individuals, in cases where a higher level of investment is needed in order to build or grow or sustain either a business unit or our capability in a geography.

The following section outlines our remuneration policy in more detail for each element of total compensation as it applies to employees.

Gross remuneration: base salary and benefits

Salaries and benefits are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the group's policy to seek to set base salaries and benefits (together known as gross remuneration) at median market levels when compared like for like with peer group companies.

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives while remaining true to corporate values, and incorporate guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and do not encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that gross remuneration levels are market-driven and competitive so that levels of remuneration do not inhibit our ability to recruit the people we need to develop our business.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries, not annual bonuses or Material Risk Takers allowances, are pensionable.

Variable short-term incentive: annual bonus

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our three operating divisions: Asset Management, Wealth & Investment and the Specialist Bank. This reflects differing regulatory requirements on the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentive

Risk-weighted returns form basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on page 38.

Group Risk Management is independent from the business units and monitors, manages and reports on the group's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the Board Risk and Capital Committee (BRCC). The group monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The BRCC (comprising both executive and non-executive directors) meets six times per annum and sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the group's risk management teams, who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The DLC Capital Committee is a sub-committee of the BRCC and provides detailed input into the group's identification, quantification and measurement of its capital requirements, taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the group should hold and its minimum liquidity requirements, taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The policy executive risk review forum (Policy ERRF) and review risk review forum (Review ERRF), comprising members of the executive and the heads of the various risk functions, meet weekly. These committees responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented.

The bank's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis. The riskiness of business undertaken is evaluated and approved prior to initiation of the business through various central forums and committees, deal forum, credit committee, investment committee and new product forum and is reviewed and ratified at Review ERRF and Policy ERRF on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums ensures that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model as described in detail below is principally applied to realised profits against predetermined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a group and transaction level, which form the basis of the group's performance-related variable remuneration model, thus balancing the interests of all stakeholders.

Further, both the Risk and Compliance functions are also embedded in the operating business units and are subject to review by the internal audit and compliance monitoring teams. The Risk and Compliance functions also provide, on an exception-only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (Central Services and Head Office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee.

Our EVA model has been consistently applied for a period of about 18 years and encompasses the following elements:

- The profitability of each operating business unit is determined as if they are a stand-alone business. Gross revenue is determined based on the activity of the business, with arm's length pricing applicable to inter-segment activity. Profits are determined as follows:
  - Realised gross revenue (net margin and other income)
  - *Less:* Funding costs
  - *Less:* Impairments for bad debts
  - *Add back:* Debt coupon or preference share dividends paid out of the business (where applicable)
  - *Less:* Direct operating costs (personnel, systems, etc.)
  - *Less:* Group-allocated costs and residual charges (certain independent group functions are provided on a centralised basis, with an allocation model applied to charge out costs incurred to business units. Costs allocated are based on the full operational costs for the particular central service area, inclusive of the variable remuneration cost of the central service. Allocation methodologies generally use cost drivers as the basis of allocation)
  - *Less:* Profits earned on retained earnings and statutory held capital
  - *Add:* Notional profit paid by centre on internal allocated capital
  - *Equals:* Net profits.
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this principle is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk and credit committees.

A detailed explanation of our capital management and allocation process is provided on pages 84 to 86 in volume two.

- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, inter alia, for any unspecified or future risks not specifically identified in the capital planning process. The Investec group then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to the degree of risk and the competitive benchmarks for each product line
- In essence, varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing bonus pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis adding a level of risk consciousness to the predetermined (and risk-adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the chief executive officer and managing director may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the group; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firm-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the group's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the group's Finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving human resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management before the remuneration committee's review and approval process.

The group remuneration committee specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and Material Risk Takers. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the Internal Audit, Compliance and Risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

Deferral of annual bonus awards: other than Material Risk Takers within the Specialist Bank

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: short term share awards vesting in three equal tranches at the end of 12 months, 24 months and 36 months; or cash released in three equal tranches at the end of 12 months, 24 months and 36 months. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short term share awards. These awards are made in terms of our existing long-term incentive plans (refer to page 130). The entire amount of the annual bonus that is not deferred is payable upfront in cash.

Deferral of variable remuneration awards: UK Material Risk Takers within the Specialist Bank

- Material Risk Takers include senior management, risk takers, staff engaged in central functions and any other employees whose professional activities have a material impact on Investec's risk profile within Investec plc
- Individual awards to Material Risk Takers are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the group remuneration policy and governance processes (also set out above)
- Annual bonus awards to Material Risk Takers (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to Material Risk Takers are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as to 50% in cash and 50% in short term share awards
- The upfront short term share awards will vest immediately, but will only be released after a period of six months, which will increase to one year in 2018
- Variable remuneration awards for Material Risk Takers who are not exempted by the *de minimis* concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to Material Risk Takers will, at the election of the staff member, be made either entirely in the form of short term share awards, or 50% in short term share awards and 50% in cash

- All deferrals in the form of short term share awards (being either 50% or 100% of such deferral) vest over periods of up to seven years and are then subject to an appropriate period of retention, being six months, increasing to one year in 2018.

IAM: variable incentive

The Investec Asset Management (IAM) remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy, principles and policy of IAM. The proposals from this committee are subject to final approval by the DLC remuneration committee.

IAM operates the following annual bonus schemes which may result in annual payments to employees:

- Annual Discretionary Cash Bonus Scheme (ADCBS) (all employees of IAM are currently eligible to be considered for a cash bonus payment under this scheme)
- Deferred Bonus Plan (DBOP) (participation in this scheme is determined on an annual basis at the discretion of IAM based on the roles of individual employees).

The percentage of profit allocated to the variable remuneration pool has been agreed (at a fixed participation rate) and approved by both the DLC and IAM remuneration committees. The same fixed participation rate has been applied consistently for many years. This structure has been a key contributor to the long-term success of IAM and encourages the staff to behave like owners. We believe in aligning the long-term interests of clients, shareholders and staff.

Individual annual bonus awards are approved by the IAM remuneration committee and the DLC remuneration committee annually.

Annual Discretionary Cash Bonus Scheme (ADCBS)

Awards under the ADCBS are payable entirely in cash. The purpose of the cash bonus is to reward behaviour and effort against objectives and values, and retain key employees. The cash bonus pool determination is based on the profitability of IAM only. In principle, there would be no cash bonus payments should IAM be loss-making (although this would be reviewed where it was considered that bonus payments were necessary in order to retain staff and protect the business in the long-term even if the business had been loss-making in the short-term).

Management information is provided to the IAM remuneration committee to ensure that IAM's financial results are put into the context of the risk appetite of the business and the IAM remuneration committee is able to risk-adjust the cash bonus pool should they believe this is required given the risk taken and the overall financial results.

Deferred Bonus Plan (DBOP)

As noted above, participation in the DBOP is determined on an annual basis at the discretion of IAM based on the roles of individual employees. The purpose of the DBOP is both to retain key employees and to provide better alignment of the interests with clients and to manage potential, currently unknown future risks.

The conditions for participation in the DBOP are approved by the IAM remuneration committee annually, based on the remuneration requirements in the year being considered. This will take into consideration local market remuneration practices and relevant and required regulations.

The DBOP awards are made in the form of investments into various funds managed by IAM and with specific allocations for the portfolio managers into their own funds. The deferral period is just over three years and awards are only paid out under specific listed conditions. The award does not accrue to the employee until the end of the deferral period and as such both the asset and liability remain on the balance sheet of IAM until that time. Employees forfeit their allocations if they resign or their employment terminates (other than at the discretion of IAM for redundancy, retirement, death or disability) prior to the vesting date.

Payments can only be made to participants prior to a scheduled vesting date with the consent of the IAM executive committee and ultimately by the IAM remuneration committee.

IAM's governance processes, operating within the context of the broader Investec group's processes, ensure robust oversight of reward and effective management of any potential conflicts of interest while reflecting the need to link remuneration decisions with IAM's risk appetite.

The head of the IAM Risk Committee assesses the risk appetite, risk tolerance level and risk management for IAM and feeds her views into the remuneration decision-making process, including sending a risk report to the IAM remuneration committee for consideration when making remuneration decisions. IAM HR and Compliance are responsible for ensuring that remuneration processes are compliant with applicable regulations.

In addition, IAM HR and Compliance are responsible for ensuring that the IAM remuneration committee takes into consideration financial and non-financial criteria, risk and compliance reports, and any other relevant information in making decisions around remuneration.

The primary determinant of the variable compensation pool available for distribution is IAM's own annual profit. There is an annual budget against which the business is measured.

The variable compensation pool is allocated to business divisions and then to individuals based on divisional performance and the individual's performance. This ensures that staff are rewarded appropriately for meeting their objectives and keeping within the values of the business.

The oversight of conflicts of interest and the link between risk and reward is achieved through a combination of effective remuneration components, designed to incorporate risk and of the dual operation of the DLC remuneration committee and IAM remuneration committee in ensuring appropriate and, where necessary, independent oversight of both remuneration policy and outcomes.

Employee equity ownership

In August 2013, 40 employees of IAM acquired a 15% stake in the IAM business, ultimately through a trust structure in which each employee owns a portion of the underlying trust assets. An additional 1% stake was acquired during the financial year. Each employee funded their portions through a combination of existing deferred compensation (for which vesting was accelerated), personal debt and personal cash. This structure locks in key talent and aligns employees' interests with the interests of the firm as a whole, our shareholders and our clients.

Employees' portion holdings are governed by the terms of a trust deed to which all portion holders have agreed. In summary, various pre-emption provisions apply to the transfer of employees' portions. On leaving, an employee is required to offer their portions for sale (save in limited circumstances where part of the portion holding may be retained). Good leaver/bad leaver provisions apply to determine the price at which the portions must be offered for sale.

Investec Wealth & Investment other than in South Africa: variable short-term incentive

Investec Wealth & Investment recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the PRA and FCA Remuneration Code. Wealth & Investment recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the PRA and FCA Remuneration Code. The Wealth & Investment remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of Wealth & Investment within the context of the Investec group's agreed remuneration philosophy and policy. The proposals from this committee are subject to final approval by the DLC remuneration committee.

Wealth & Investment operates the following performance-related discretionary remuneration plans:

- Core incentive plan – for those in client-facing roles and administrative staff who support them directly
- Bonus plan – for those in non-client-facing, central services and support functions
- Growth plan – for staff primarily in client-facing roles who generate income directly.

Funding is at the discretion of the remuneration committee. Under the core plan, an incentive pool is derived from a formula that is directly related to the profitability of a team or business unit. The pool is distributed to the members of the team or business unit on a discretionary basis.

Funding for bonuses is related to the overall profitability of the Wealth & Investment business and is awarded to individuals on a discretionary basis.

The growth plan incentivises growth in revenues, net of the impact of market movements. Awards relate to performance for each year to 28 February, are payable in cash, and are deferred over a three-year period. Payments do not attract employer pension contributions.

Under the core incentive and bonus plans, awards relate to performance for the financial year ending 31 March. An interim payment on account of the annual award is considered at the half-year.

Non-financial performance is reviewed, and where individuals fall below the standards expected, awards may be deferred or forfeited, in part or in full. Payments are made entirely in cash and do not attract employer pension contributions. The award may be paid directly to the individual (subject to the deduction of income tax and national insurance) or, at Wealth & Investment discretion, as an additional employer pension contribution.

Wealth & Investment executive directors participate in the bonus plan, and where an individual's role is primarily client-facing that director will also be eligible to participate in the core incentive and growth plans.

Investec Wealth & Investment South Africa: variable short-term incentive

As there are no overriding regulatory requirements applicable to the business, the policies applicable to the Specialist Bank are applied to this business unit as set out on pages 143 to 145.

Other information on deferred awards and clawback provisions within the group

Employees who leave the employment of Investec prior to vesting of deferred incentive awards will lose their deferred bonus short term share awards other than as a result of death and disability, subject to the group's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards for Material Risk Takers are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the remuneration committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the group or business unit
- Any violation of the group's culture and values
- The long-term impact of the outcome on the group or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for deferred bonus share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non-Material Risk Takers are subject to malus adjustments.

Long-term incentive: share awards

We have a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of forfeitable share awards for non Material Risk Takers other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

Awards are made in the form of conditional awards for Material Risk Takers.

In principle all employees are eligible for long-term incentives. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association principles of remuneration. These awards comprise three elements, namely:

- 'New starter' awards are made based on a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of the same quantum as new starter awards and are made to employees who have not had any other share award in a three-year period
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded. Awards of Investec plc forfeitable shares, or conditional shares where appropriate, are made to employees of Investec plc and awards of Investec Limited forfeitable shares for employees of Investec Limited. At IAM, long-term awards are only generally considered for employees who do not participate in the DBOP and/or the IAM equity ownership scheme.

Forfeitable shares for non-Material Risk Takers are subject to one-third vesting at the end of the third, fourth and fifth year, which we believe is appropriate for our business requirements. Long-term incentive awards to Material Risk Takers are subject to performance conditions and to vesting over a period of two and a half to five years, or three to seven years, determined by regulatory requirements, and are then subject to a six-month retention period, which will increase to one year for 2018 and subsequent years. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the group unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The remuneration committee pre-approve all guaranteed awards above a defined threshold, and has oversight of all other guaranteed awards above a lower defined threshold.

Retention awards

Investec only pays retention awards to serving staff in exceptional circumstances. In all such cases, human resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for Material Risk Takers, the remuneration committee shall review and approve all proposed awards. Circumstances where the group will consider making retention awards include the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line) where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to Material Risk Takers, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for Material Risk Takers shall be subject to approval by the DLC remuneration committee.

Discretionary extended pension benefits policy

All proposed extended pension payments made to employees upon reaching retirement will be reviewed by the remuneration committee for alignment with appropriate laws, policy and regulation.

Remuneration Code disclosures

In terms of the PRA's Chapter on Disclosure Requirements (BIPRU 11.5.18) the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 53 individuals were Material Risk Takers in 2017.

The bank's qualitative remuneration disclosures are provided on pages 141 to 148.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2017.

Aggregate remuneration by remuneration type

£'million	Senior management	Other Material Risk Takers	Total
Fixed remuneration	11.7	13.0	24.7
Variable remuneration*			
– Cash	3.7	3.2	6.9
– Deferred cash	0.8	1.7	2.5
– Deferred shares	4.1	2.2	6.3
– Deferred shares – long-term incentive awards**	7.2	3.4	10.6
Total aggregate remuneration and deferred incentives	**27.5**	**23.5**	**51.0**
Ratio between fixed and variable pay	0.7	1.2	0.9

* *Total number of employees receiving variable remuneration was 48.*

** *Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and vest over a period of two and a half to four and a half years, up to three to seven years, determined by regulatory requirements. They are also subject to a six-month retention period after vesting.*

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	11
£1 200 001 – £1 600 000	7
£1 600 001 – £2 000 000	1
£2 000 001 – £2 400 000	1
£2 400 001 – £2 800 000	–
£2 800 001 – £3 200 000	2
£3 200 001 – £3 600 000	1
£3 600 001 – £4 000 000	–
£4 000 001 – £4 400 000	1
£4 400 001 – £4 800 000	–
£4 800 001 – £5 200 000	2
> £5 200 001	–

Additional disclosure on deferred remuneration

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the beginning of the year	15.6	35.1	50.7
Deferred unvested remuneration adjustment – employees no longer Material Risk Takers and reclassifications	(0.1)	(0.4)	(0.5)
Deferred remuneration awarded in year	12.1	7.3	19.4
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration vested in year	(4.7)	(7.3)	(12.0)
Deferred unvested remuneration outstanding at the end of the year^^	**22.9**	**34.7**	**57.6**

^^ *All employees are subject to malus and clawback provisions as discussed on page 147. No remuneration was reduced for ex post implicit adjustments during the year.*

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	21.1	30.2	51.3
– Cash	1.8	4.5	6.3
	22.9	**34.7**	**57.6**

£'million	Senior management	Other Material Risk Takers	Total
Deferred remuneration vested in year			
– For awards made in 2015 financial year	0.3	2.4	2.7
– For awards made in 2014 financial year	2.7	3.3	6.0
– For awards made in 2013 financial year	1.5	1.5	3.0
– For awards made in 2012 financial year	0.2	0.1	0.3
	4.7	**7.3**	**12.0**

Other remuneration disclosures

£'million	Senior management	Other Material Risk Takers	Total
Sign-on payments			
Made during the year (£'million)	–	0.5	0.5
Number of beneficiaries	–	1	1
Severance payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Guaranteed bonuses			
Made during the year (£'million)	–	0.4	0.4
Number of beneficiaries	–	1	1

Pillar III remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar III disclosure requirements.

The bank's qualitative remuneration disclosures are provided on pages 110 to 148.

The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2017.

Aggregate remuneration by remuneration type

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Fixed remuneration	42.6	56.2	138.5	237.3
Variable remuneration*				
– Cash	82.3	88.6	59.0	229.9
– Deferred shares	38.6	47.4	1.5	87.5
– Deferred cash	28.0	–	–	28.0
– Deferred shares – long-term incentive awards**	60.2	43.1	38.3	141.6
Total aggregate remuneration and deferred incentives	**251.7**	**235.3**	**237.3**	**724.3**

^ *See page 151.*
* *Total number of employees receiving variable remuneration was 240.*
** *Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These vest one third at the end of years three, four and five.*

Additional disclosure on deferred remuneration

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the beginning of the year	483.7	353.0	224.9	1 061.6
Deferred unvested remuneration adjustment – employees that are no longer employed by the bank and reclassifications	(80.9)	32.2	(44.6)	(93.3)
Deferred remuneration awarded in year	126.8	90.5	39.8	257.1
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	(67.6)	(50.8)	(20.2)	(138.6)
Deferred unvested remuneration outstanding at the end of the year	**462.0**	**424.9**	**199.9**	**1 086.8**

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	394.7	424.9	199.9	1 019.5
– Cash	67.3	–	–	67.3
	462.0	**424.9**	**199.9**	**1 086.8**

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred remuneration vested in year				
– For awards made in 2015 financial year	18.4	16.7	1.0	36.1
– For awards made in 2014 financial year	14.1	13.0	0.7	27.8
– For awards made in 2013 financial year	35.1	21.1	18.5	74.7
	67.6	**50.8**	**20.2**	**138.6**

Other remuneration disclosures

	Senior management^	Risk takers^	Financial and risk control staff^	Total
Sign-on payments				
Made during the year (R'million)	–	6.0	0.7	6.7
Number of beneficiaries	–	2	2	4
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–

^ ***Senior management:*** *All members of our South African general management forum, excluding executive directors.*
Risk takers: *Includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.*
Financial and risk control staff: *Includes everyone in central group finance and central group risk as well as employees responsible for Risk and Finance functions within the operating business units.*

05

Summary annual financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on page 161, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the external auditors in relation to the combined consolidated annual financial statements.

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated annual financial statements that fairly present the state of affairs of the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties
- The group's Internal Audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group audit committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business
- The group audit committees, together with Internal Audit, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.

The annual financial statements of the companies and the group have been prepared in accordance with the respective Companies Acts of the United Kingdom and South Africa and comply with IFRS and Article 4 of the IAS Regulation and comply with IFRS 101 in respect of Investec plc parent company accounts.

The directors are of the opinion, based on their knowledge of the companies, key processes in operation and enquiries that adequate resources exist to support the companies on a going concern basis over the next year. These annual financial statements have been prepared on that basis.

It is the responsibility of the external auditors to report on the combined consolidated annual financial statements. Their reports to the members of the companies are set out on page 161. As far as the directors are aware, there is no relevant audit information of which the external auditors are unaware.

Approval of annual financial statements

The directors' report and the annual financial statements of the companies and the group, which appear on page 154 to 157 and pages 162 to 202, were approved by the board of directors on 9 June 2017.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the United Kingdom governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff	**Bernard Kantor**
Chief executive officer	Managing director

13 June 2017

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act, No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2017, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Niki van Wyk
Company secretary, Investec Limited

13 June 2017

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, UK and Europe, South Africa and Asia/Australia as well as certain other countries. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

Section 414A of the UK Companies Act 2006 requires the directors to present a strategic report in the annual report and accounts. The company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its strategic report that would otherwise be disclosed in this directors' report. The strategic report on pages 22 to 25 provides an overview of our strategic position, performance during the year and details of likely future developments in the business.

The strategic report should be read in conjunction with the sections on pages 26 to 151 which elaborate on the aspects highlighted in this review.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

Authorised and issued share capital

Investec plc and Investec Limited

Details of the share capital are set out in note 42 to the annual financial statements.

Investec plc

During the year, the following shares were issued:

- 30 870 000 ordinary shares on 6 June 2016 at 448.00 pence per share
- 8 135 825 ordinary shares on 10 June 2016 at 471.00 pence per share
- 6 809 664 special converting shares on 10 June 2016 of £0.0002 each at par
- 680 936 ordinary shares on 8 December 2016 at 520.00 pence per share
- 2 991 804 special converting shares on 8 December 2016 of £0.0002 each at par

Further to announcements released by Investec plc dated (i) 20 June 2016 entitled 'Offer for Purchase of Preference Shares Issued by Investec plc' and (ii) 27 June 2016 entitled 'Offer For Purchase of Preference Shares Issued by Investec plc – Amendment to Expected Settlement Date', Investec plc made the following repurchases of non-redeemable, non-cumulative, non-participating preference shares of £0.01 each (the 'Sterling preference shares') and non-redeemable, non-cumulative, non-participating preference shares of R0.001 each (the 'Rand preference shares') (together the 'Preference shares')

- 3 806 888 Sterling preference shares for R108.56 per share on 2 August 2016
- 8 369 938 Sterling preference shares for 575.00 pence per share on 2 August 2016
- 1 994 493 Rand preference shares for R103.38 per share on 2 August 2016
- 149 736 Sterling preference shares for 575 pence per share on 4 November 2016
- 150 000 Rand preference shares for R103.38 per share on 4 November 2016

The Preference shares were cancelled following repurchase.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2017.

Investec Limited

During the year, the following shares were issued:

- 30 870 000 special convertible redeemable preference shares on 6 June 2016 at par
- 6 809 664 ordinary shares on 10 June 2016 at R105.30 per share (R0.0002 par and premium of R105.2998 per share)
- 8 135 825 special convertible redeemable preference shares on 10 June 2016 of R0.0002 each at par
- 2 991 804 ordinary shares on 8 December 2016 at R89.97 per share (R0.0002 par and premium of R89.9698 per share)
- 680 936 special convertible redeemable preference shares on 8 December 2016 of R0.0002 each at par.

On 20 March 2017, the final redemption of 333 863 Class ILRP1 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share) being all the remaining issued shares in that class.

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2017.

At 31 March 2017, Investec Limited held 31 354 669 shares in treasury (2016: 24 158 289). Investec plc held 18 293 688 shares in treasury (2016: 16 141 177). The maximum number of shares held in treasury by Investec Limited during the period under review was 30 105 100 shares.

Financial results

The combined consolidated results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2017. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

Investec plc

An interim dividend was declared to shareholders as follows:

- 10 pence per ordinary share to non-South African resident shareholders and South African resident shareholders (2016: 9.5 pence) registered on 9 December 2016 and was paid on 21 December 2016.

The directors have proposed a final dividend to shareholders registered on 28 July 2017, of 13 pence (2016: 11.5 pence) per ordinary share, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 10 August 2017 and, if approved, will be paid on 14 August 2017, as follows:

- 13 pence per ordinary share to non-South African resident shareholders (2016: 11.5 pence) registered on 28 July 2017.

- To South African resident shareholders registered on 28 July 2017, through a dividend paid by Investec Limited on the SA DAS share, of 7.0 pence per ordinary share and 6.0 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 178.0 cents per ordinary share (2015: 207.0 cents) was declared to shareholders registered on 9 December 2016 and was paid on 22 December 2016.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2017 of 225 cents (2016: 266 cents) per ordinary share. The final dividend will be payable on Monday, 14 August 2017 to shareholders on the register at the close of business on Friday, 28 July 2017. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 10 August 2017.

Preference dividends

Investec plc

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 21 for the period 1 April 2016 to 30 September 2016, amounting to 7.12329 pence per share, was declared to members holding preference shares registered on 2 December 2016 and was paid on 12 December 2016.

Preference dividend number 22 for the period 1 October 2016 to 31 March 2017, amounting to 6.23288 pence per share, was declared to members holding preference shares registered on 9 June 2017 and will be paid on 19 June 2017.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 11 for the period 1 April 2016 to 30 September 2016, amounting to 500.11644 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 2 December 2016 and was paid on 12 December 2016.

Preference dividend number 12 for the period 1 October 2016 to 31 March 2017, amounting to 497.38356 cents per share, was declared to members holding preference shares registered on 9 June 2017 and will be paid on 19 June 2017.

Investec Limited

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 24 for the period 1 April 2016 to 30 September 2016, amounting to 409.41111 cents per share, was declared to shareholders holding preference shares registered on 2 December 2016 and was paid on 12 December 2016.

Preference dividend number 25 for the period 1 October 2016 to 31 March 2017, amounting to 407.17389 cents per share, was declared to shareholders holding preference shares registered on 9 June 2017 and will be paid on 19 June 2017.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 12 for the period 1 April 2016 to 30 June 2016, amounting to 1 459.78410 cents per share, was declared to shareholders holding preference shares on 22 July 2016 and was paid on 25 July 2016.

Preference dividend number 13 for the period 1 July 2016 to 30 September 2016, amounting to 1 475.82569 cents per share, was declared to shareholders holding preference shares on 28 October 2016 and was paid on 31 October 2016.

Preference dividend number 14 for the period 1 October 2016 to 31 December 2016, amounting to 1 475.82569 cents per share, was declared to shareholders holding preference shares on 27 January 2017 and was paid on 30 January 2017.

On 20 March 2017, the remaining issued 333 863 Class ILRP1 redeemable non-participating preference shares were redeemed at R1 000.00 per share and a final dividend for the period 1 January 2017 to 19 March 2017 amounting to 1 251.24352 cents per share was declared to shareholders holding preference shares on 17 March 2017 and was paid on 20 March 2017.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 5 for the period 1 April 2016 to 30 June 2016, amounting to 1 459.78410 cents per share, was declared to shareholders holding preference shares on 22 July 2016 and was paid on 25 July 2016.

Preference dividend number 6 for the period 1 July 2016 to 30 September 2016, amounting to 1 457.82569 cents per share, was declared to shareholders holding preference shares on 28 October 2016 and was paid on 31 October 2016.

Preference dividend number 7 for the period 1 October 2016 to 31 December 2016, amounting to 1 475.82569 cents per share, was declared to shareholders holding preference shares on 27 January 2017 and was paid on 30 January 2017.

Preference dividend number 8 for the period 1 January 2017 to 31 March 2017, amounting to 1443.74252 cents per share, was declared to shareholders holding preference shares on 21 April 2017 and was paid on 24 April 2017.

Redeemable cumulative preference shares

Dividends amounting to R23 190 399 (2016: R21 453 331) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and company secretaries of Investec plc and Investec Limited are reflected on pages 86 to 90.

In accordance with the UK Corporate Governance Code, the entire board with the exception of PRS Thomas who will be standing down as a director, will offer itself for re-election at the 2017 annual general meeting.

The company secretary of Investec plc is David Miller and Niki van Wyk is the company secretary of Investec Limited.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 126 to 129.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 83 to 99.

Share incentives

Details regarding options granted during the year are set out on page 114 in volume one.

Audit committees

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit committees can be found in the Investec 2017 integrated annual report.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc and Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 10 August 2017.

Contracts

Refer to page 139 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies can be found in the Investec 2017 integrated annual report.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 101.

Special resolutions

Investec plc

At the annual general meeting held on 4 August 2016, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the Companies Act 2006
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the Companies Act 2006.

Investec Limited

At the annual general meeting held on 4 August 2016, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own Class ILRP1 redeemable, non-participating preference shares, Class ILRP2 redeemable, non-participating preference shares, any other redeemable, non-participating preference shares and non-redeemable, non-cumulative, non-participating preference shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008
- Clause 8.2 of the Memorandum of Incorporation was amended by the deletion of the current Clause 8.2 and the substitution thereof with a new Clause 8.2.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and South African law and International Financial Reporting Standards. The parent company accounts of Investec plc are prepared under IFRS 101.

The accounting policies adopted in this abridged report are consistent with the Investec 2017 integrated annual report.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report in the Investec 2017 integrated annual report.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found in the Investec 2017 integrated annual report.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate, the appointment of individuals responsible for various areas of health and safety is made.

Political donations and expenditure

Investec plc did not make any donations for political purposes in the UK or the rest of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year.

Invested Limited, through its subsidiaries, made political donations totalling R3.5 million in 2017 (2016: R1.5 million).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information can be found in the Investec 2017 integrated annual report.

Going concern

Refer to in the Investec 2017 integrated annual report for the directors' statement in relation to going concern.

Research and development

In the ordinary course of business, Investec develops new products and services in each of its business divisions.

Viability statement

Refer to pages 97 to 99 for the directors' viability statement.

Risk management policies

The group's policies for managing the financial risk to which it is exposed and exposure to price, credit, liquidity and cash flow risk are set out in the risk management section in the Investec 2017 integrated annual report.

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act 2006). The board considers that this integrated annual report and annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the boards of Investec plc and Investec Limited.

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

13 June 2017

Schedule A to the directors' report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act 2006). This is a summary only and the relevant provisions of the Articles or the Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2017 consists of 657 105 625 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 301 165 174 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 2006, the uncertificated securities regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Investec plc may by ordinary resolution from time-to-time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act 2006.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and, on a poll, every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal. The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu interse* and with the most senior ranking preference shares of Investec plc in issue (if any) from time-to-time and with any other shares of Investec plc that are expressed to rank *pari passu* herewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference shares and equal basis, the right on a return of capital on the winding up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with the Articles after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand-denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating preference shares, as outlined above, save that they are denominated in South African Rands.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the:

(i) variation of the rights attaching to the shares or

(ii) winding up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc

Schedule A to the directors' report

(continued)

and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the Companies Act 2006, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Independent auditor's statement to the Members of Investec plc only

We have examined the summary financial information for the year ended 31 March 2017 which comprises the Combined Consolidated Income Statement, the Combined Consolidated Statement of Comprehensive Income, the Combined Consolidated Balance Sheet, the Combined Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the accounting policies set out on page 168 and the related notes.

This report is made solely to the Members, of Investec plc (the "Group"), as a body, in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our work, for this report, or the opinion we have formed.

Respective responsibilities of the Directors and the auditor

The Directors are responsible for preparing the summary financial information so that it is consistent with the full annual financial statements of the Group.

Our responsibility is to report to you our opinion on the consistency of the summary financial information with the full annual financial statements and the Remuneration Report.

We also read the other information contained in the integrated annual review and summary financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial information.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Group's full annual financial statements describes the basis of our opinion on those financial statements and on the Remuneration Report.

Opinion

In our opinion the summary financial information is consistent with the full financial statements and Remuneration Report of the Group for the year ended 31 March 2017.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements dated 9 June 2017 and the date of this statement.

Ernst & Young LLP

Ernst & Young LLP

1 More London Place, London, SE1 2AF
13 June 2017

Directors' statement

The auditor has issued unqualified reports on the full annual financial statements, the auditable part of the directors' remuneration report and on the consistency of the strategic and directors' report with those annual financial statements. Their report on the full Annual Financial Statements and the auditable part of the directors' remuneration report can be found on the Investec plc website www.investec.com/en_za/#home/investor_relations.html.

Combined consolidated income statement

£'000	Notes	Year to 31 March 2017	Year to 31 March 2016
Interest income	2	2 230 765	1 705 640
Interest expense	2	(1 550 870)	(1 131 871)
Net interest income		**679 895**	**573 769**
Fee and commission income	3	1 429 588	1 188 012
Fee and commission expense	3	(158 064)	(126 387)
Investment income	4	136 203	170 408
Share of post-taxation operating profit of associates	28	18 890	1 811*
Trading income arising from			
– customer flow		158 001	110 227
– balance sheet management and other trading activities		8 218	11 377
Other operating income	5	13 483	10 279*
Total operating income before impairment losses on loans and advances		**2 286 214**	**1 939 496**
Impairment losses on loans and advances	26	(111 454)	(109 516)
Operating income		**2 174 760**	**1 829 980**
Operating costs	6	(1 513 231)	(1 287 021)
Depreciation on operating leased assets	6	(2 169)	(2 165)
Operating profit before goodwill and acquired intangibles		**659 360**	**540 794**
Impairment of goodwill	33	(4 749)	(1 577)
Amortisation of acquired intangibles	34	(17 197)	(16 248)
Operating profit		**637 414**	**522 969**
Non-operational costs arising from acquisition of subsidiary	35	–	(4 778)
Profit before taxation		**637 414**	**518 191**
Taxation on operating profit before goodwill and acquired intangibles	8	(118 488)	(103 202)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	4 070	5 197
Profit after taxation		**522 996**	**420 186**
Profit attributable to other non-controlling interests		(60 239)	(35 201)
Profit attributable to Asset Management non-controlling interests		(20 291)	(16 529)
Earnings attributable to shareholders		**442 466**	**368 456**
Earnings per share (pence)			
– Basic	9	50.8	38.5
– Diluted	9	48.8	36.7

* *Share of post-taxation operating profit of associates has been disclosed separately from other operating income in the current year.*

Combined consolidated statement of comprehensive income

£'000	Notes	Year to 31 March 2017	Year to 31 March 2016
Profit after taxation		522 996	420 186
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	53 324	(31 934)
Gains on realisation of available-for-sale assets recycled to the income statement	8	(7 781)	(1 961)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	54 863	(37 153)
Foreign currency adjustments on translating foreign operations		540 534	(240 875)
Items that will never be reclassified to the income statement			
Re-measurement of net defined benefit pension asset	8	(43 580)	4 738
Total comprehensive income		**1 120 356**	**113 001**
Total comprehensive income attributable to ordinary shareholders		892 201	84 932
Total comprehensive income/(loss) attributable to non-controlling interests		202 497	(5 123)
Total comprehensive income attributable to perpetual preferred securities		25 658	33 192
Total comprehensive income		**1 120 356**	**113 001**

Combined consolidated balance sheet

At £'000	Notes	31 March 2017	31 March 2016
Assets			
Cash and balances at central banks	17	3 351 702	3 007 269
Loans and advances to banks	18	3 191 041	2 498 585
Non-sovereign and non-bank cash placements		536 259	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	19	2 358 970	2 497 125
Sovereign debt securities	20	3 804 627	3 208 862
Bank debt securities	21	639 189	896 855
Other debt securities	22	1 115 558	949 950
Derivative financial instruments	23	1 185 848	1 580 949
Securities arising from trading activities	24	1 376 668	1 119 074
Investment portfolio	25	835 899	660 795
Loans and advances to customers	26	22 189 975	17 681 572
Own originated loans and advances to customers securitised	27	517 162	437 243
Other loans and advances	26	355 248	321 617
Other securitised assets	27	148 964	160 295
Interests in associated undertakings	28	392 213	267 099
Deferred taxation assets	29	133 972	112 135
Other assets	30	1 900 480	2 092 661
Property and equipment	31	105 939	90 888
Investment properties	32	1 128 930	938 879
Goodwill	33	367 579	368 039
Intangible assets	34	143 261	148 280
Non-current assets held for sale		27 218	–
		45 806 702	**39 504 745**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	7 728 130	5 847 036
		53 534 832	**45 351 781**
Liabilities			
Deposits by banks		2 736 066	2 397 403
Derivative financial instruments	23	1 296 206	1 582 847
Other trading liabilities	37	978 911	957 418
Repurchase agreements and cash collateral on securities lent	19	690 615	971 646
Customer accounts (deposits)		29 109 428	24 044 281
Debt securities in issue	38	2 386 180	2 299 751
Liabilities arising on securitisation of own originated loans and advances	27	90 125	85 650
Liabilities arising on securitisation of other assets	27	128 838	120 851
Current taxation liabilities		227 828	192 255
Deferred taxation liabilities	29	40 408	55 486
Other liabilities	39	1 910 830	1 802 967
		39 595 435	**34 510 555**
Liabilities to customers under investment contracts	36	7 725 604	5 845 503
Insurance liabilities, including unit-linked liabilities	36	2 526	1 533
		47 323 565	**40 357 591**
Subordinated liabilities	41	1 402 638	1 134 883
		48 726 203	**41 492 474**
Equity			
Ordinary share capital	42	237	228
Perpetual preference share capital	43	31	153
Share premium	44	2 341 228	2 239 364
Treasury shares	45	(126 879)	(125 717)
Other reserves		(310 275)	(784 051)
Retained income		2 226 751	2 030 310
Shareholders' equity excluding non-controlling interests		**4 131 093**	**3 360 287**
Other additional Tier 1 securities in issue	46	32 798	26 031
Non-controlling interests	47	644 738	472 989
– Perpetual preferred securities issued by subsidiaries		91 492	72 615
– Non-controlling interests in partially held subsidiaries		553 246	400 374
Total equity		**4 808 629**	**3 859 307**
Total liabilities and equity		**53 534 832**	**45 351 781**

Combined consolidated cash flow statement

£'000	Notes	Year to 31 March 2017	Year to 31 March 2016
Profit before taxation adjusted for non-cash and non-operating items	49	835 216	730 920
Taxation paid		(126 406)	(132 134)
Increase in operating assets	49	(445 528)	(4 580 570)
Increase in operating liabilities	49	498 146	4 602 620
Net cash inflow from operating activities		**761 428**	**620 836**
Cash outflow on acquisition of group operations		(14 648)	–
Cash flow on net acquisition of associates		(8 848)	(969)
Cash flow on acquisition of property, equipment and intangible assets		(37 748)	(24 314)
Cash flow on disposal of property, equipment and intangible assets		1 629	11 358
Net cash outflow from investing activities		**(59 615)**	**(13 925)**
Dividends paid to ordinary shareholders		(216 602)	(180 009)
Dividends paid to other equity holders		(73 853)	(73 027)
Redemption of perpetual preference shares		(81 743)	–
Proceeds on issue of shares, net of related costs		228 086	35 480
Cash flow on acquisition of treasury shares, net of related costs		(112 345)	(163 277)
Proceeds on issue of other equity instruments*		29 542	153 299
Redemption of non-controlling interests		–	(142 111)
Proceeds from subordinated debt raised		432 919	81 422
Repayment of subordinated debt		(168 481)	(59 518)
Net cash inflow/(outflow) from financing activities		**37 523**	**(347 741)**
Effects of exchange rates on cash and cash equivalents		**332 092**	**(171 718)**
Net increase in cash and cash equivalents		**1 071 428**	**87 452**
Cash and cash equivalents at the beginning of the year		4 650 300	4 562 848
Cash and cash equivalents at the end of the year		**5 721 728**	**4 650 300**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		3 351 702	3 007 269
On demand loans and advances to banks		1 833 767	1 176 458
Non-sovereign and non-bank cash placements		536 259	466 573
Cash and cash equivalents at the end of the year		**5 721 728**	**4 650 300**

* *Includes equity instruments issued by subsidiaries and transactions with non-controlling interests.*

Cash and cash equivalents have a maturity profile of less than three months.

Combined consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2015	**226**	**153**	**2 258 148**	**(68 065)**
Movement in reserves 1 April 2015 – 31 March 2016				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(26 438)	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income	**–**	**–**	**(26 438)**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	54 718	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
Partial sale of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(47 519)	(115 758)
Transfer to share premium	–	–	455	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	58 106
At 31 March 2016	**228**	**153**	**2 239 364**	**(125 717)**
Movement in reserves 1 April 2016 - 31 March 2017				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	39 159	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income	**–**	**–**	**39 159**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	9	–	228 077	–
Repurchase of perpetual preference shares	–	(122)	(122 048)	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition/reduction of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(40 812)	(71 533)
Transfer from share premium	–	–	(2 512)	–
Transfer to regulatory general risk reserve and other equity movements	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	70 371
At 31 March 2017	**237**	**31**	**2 341 228**	**(126 879)**

Combined consolidated statement of changes in equity

(continued)

Other reserves: Capital reserve account	Other reserves: Available-for-sale reserve	Other reserves: Regulatory general risk reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
10 973	**4 235**	**29 423**	**(76 541)**	**(532 075)**	**1 874 360**	**3 500 837**	**30 599**	**509 059**	**4 040 495**
–	–	–	–	–	368 456	368 456	–	51 730	420 186
–	–	–	(31 934)	–	–	(31 934)	–	–	(31 934)
–	(1 961)	–	–	–	–	(1 961)	–	–	(1 961)
–	(37 153)	–	–	–	–	(37 153)	–	–	(37 153)
–	–	333	–	(158 673)	5 324	(179 454)	(4 568)	(56 853)	(240 875)
–	–	–	–	–	4 738	4 738	–	–	4 738
–	**(39 114)**	**333**	**(31 934)**	**(158 673)**	**378 518**	**122 692**	**(4 568)**	**(5 123)**	**113 001**
–	–	–	–	–	56 216	56 216	–	–	56 216
–	–	–	–	–	(180 009)	(180 009)	–	–	(180 009)
–	–	–	–	–	(33 192)	(33 192)	2 801	15 872	(14 519)
–	–	–	–	–	–	–	(2 801)	(15 872)	(18 673)
–	–	–	–	–	–	–	–	(39 835)	(39 835)
–	–	–	–	–	–	54 720	–	–	54 720
–	–	–	–	–	–	–	–	153 299	153 299
–	–	–	–	–	–	–	–	(142 111)	(142 111)
–	–	–	–	–	778	778	–	(778)	–
–	–	–	–	–	1 522	1 522	–	(1 522)	–
–	–	–	–	–	–	(163 277)	–	–	(163 277)
–	–	–	–	–	(455)	–	–	–	–
–	–	9 322	–	–	(9 322)	–	–	–	–
–	–	–	–	–	(58 106)	–	–	–	–
10 973	**(34 879)**	**39 078**	**(108 475)**	**(690 748)**	**2 030 310**	**3 360 287**	**26 031**	**472 989**	**3 859 307**
–	–	–	–	–	442 466	442 466	–	80 530	522 996
–	–	–	53 324	–	–	53 324	–	–	53 324
–	(7 781)	–	–	–	–	(7 781)	–	–	(7 781)
–	54 863	–	–	–	–	54 863	–	–	54 863
–	–	–	260	372 381	–	411 800	6 767	121 967	540 534
–	–	–	–	–	(43 580)	(43 580)	–	–	(43 580)
–	**47 082**	**–**	**53 584**	**372 381**	**398 886**	**911 092**	**6 767**	**202 497**	**1 120 356**
–	–	–	–	–	55 961	55 961	–	–	55 961
–	–	–	–	–	(216 602)	(216 602)	–	–	(216 602)
–	–	–	–	–	(25 658)	(25 658)	3 486	6 893	(15 279)
–	–	–	–	–	–	–	(3 486)	(6 893)	(10 379)
–	–	–	–	–	–	–	–	(48 195)	(48 195)
–	–	–	–	–	–	228 086	–	–	228 086
–	–	–	–	–	40 427	(81 743)	–	–	(81 743)
–	–	–	–	–	507	507	–	16 535	17 042
–	–	–	–	–	11 588	11 588	–	912	12 500
–	–	–	–	–	–	(112 345)	–	–	(112 345)
–	–	–	–	–	2 512	–	–	–	–
–	–	729	–	–	(809)	(80)	–	–	(80)
–	–	–	–	–	(70 371)	–	–	–	–
10 973	**12 203**	**39 807**	**(54 891)**	**(318 367)**	**2 226 751**	**4 131 093**	**32 798**	**644 738**	**4 808 629**

Accounting policies

Basis of presentation

The group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2017, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards.

The group annual financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or, subject to hedge accounting and liabilities for pension fund surpluses and deficits that have been measured at fair value.

The accounting policies adopted by the group are consistent with the prior year. Standards which became effective during the year did not have an impact on the group.

Presentation of information

Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report in the Investec 2017 integrated annual report.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 110 to 151.

Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed company (DLC) structure (group). The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between Investec and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The group also holds investments, in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the combined consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains or losses within the group, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Audit conclusion

These abridge annual financial statements have been extracted from the audited annual financial statements on which Ernst & Young LLP and Ernst & Young Inc. have issued an unmodified audit report. The auditors report on the annual combined consolidated and separate annual financial statements is available for inspection at the companies registered office.

Combined consolidated segmental analysis

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Segmental business analysis – income statement					
2017					
Net interest income	5 118	11 968	662 809	–	679 895
Net fee and commission income	484 872	343 708	442 944	–	1 271 524
Investment income	143	2 269	133 791	–	136 203
Share of post taxation operating profit of associates	–	1 509	17 381	–	18 890
Trading income arising from					
– customer flow	–	1 028	156 973	–	158 001
– balance sheet management and other trading activities	2 213	87	5 918	–	8 218
Other operating income	5 644	–	7 839	–	13 483
Total operating income before impairment on loans and advances	**497 990**	**360 569**	**1 427 655**	**–**	**2 286 214**
Impairment losses on loans and advances	–	–	(111 454)	–	(111 454)
Operating income	**497 990**	**360 569**	**1 316 201**	**–**	**2 174 760**
Operating costs	(333 166)	(267 326)	(863 963)	(48 776)	(1 513 231)
Depreciation on operating leased assets	–	–	(2 169)	–	(2 169)
Operating profit/(loss) before goodwill and acquired intangibles	**164 824**	**93 243**	**450 069**	**(48 776)**	**659 360**
Profit attributable to other non-controlling interests	–	–	(60 239)	–	(60 239)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**164 824**	**93 243**	**389 830**	**(48 776)**	**599 121**
Profit attributable to Asset Management non-controlling interests	(20 291)	–	–	–	(20 291)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**144 533**	**93 243**	**389 830**	**(48 776)**	**578 830**
Selected returns and key statistics					
ROE (pre-tax)*	90.7%	35.7%	12.8%	n/a	15.9%
Return on tangible equity (pre-tax)*	179.6%	173.0%	13.0%	n/a	18.5%
Cost to income ratio	66.9%	74.1%	60.6%	n/a	66.3%
Staff compensation to operating income	47.5%	54.7%	45.2%	n/a	47.2%
Operating profit per employee (£'000)	103.1	56.6	63.8	n/a	64.1
Total assets (£'million)	638	1 886	51 011	n/a	53 535

* *Refer to calculation on page 55.*

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
2016					
Segmental business analysis – income statement					
Net interest income	3 904	7 330	562 535	–	573 769
Net fee and commission income	415 528	309 080	337 017	–	1 061 625
Investment income	44	6 072	164 292	–	170 408
Share of post taxation operating profit of associates	–	1 191	620	–	1 811
Trading income arising from					
– customer flow	–	316	109 911	–	110 227
– balance sheet management and other trading activities	1 668	509	9 200	–	11 377
Other operating income	471	2	9 806	–	10 279
Total operating income before impairment on loans and advances	**421 615**	**324 500**	**1 193 381**	**–**	**1 939 496**
Impairment losses on loans and advances	–	–	(109 516)	–	(109 516)
Operating income	**421 615**	**324 500**	**1 083 865**	**–**	**1 829 980**
Operating costs	(286 832)	(238 765)	(715 619)	(45 805)	(1 287 021)
Depreciation on operating leased assets	–	–	(2 165)	–	(2 165)
Operating profit/(loss) before goodwill and acquired intangibles	**134 783**	**85 735**	**366 081**	**(45 805)**	**540 794**
Profit attributable to other non-controlling interests	–	–	(35 201)	–	(35 201)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**134 783**	**85 735**	**330 880**	**(45 805)**	**505 593**
Profit attributable to Asset Management non-controlling interests	(16 529)	–	–	–	(16 529)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**118 254**	**85 735**	**330 880**	**(45 805)**	**489 064**
Selected returns and key statistics					
ROE (pre-tax)*	79.1%	30.7%	12.5%	n/a	14.9%
Return on tangible equity (pre-tax)*	173.1%	187.9%	12.7%	n/a	17.7%
Cost to income ratio	68.0%	73.6%	60.1%	n/a	66.4%
Staff compensation to operating income	48.2%	53.8%	44.8%	n/a	47.0%
Operating profit per employee (£'000)	88.3	54.8	59.9	n/a	58.7
Total assets (£'million)	579	1 794	42 979	n/a	45 352

* *Refer to calculation on page 55.*

Combined consolidated segmental analysis *(continued)*

2017

Segmental geographic analysis – income statement

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
Net interest income	289 180	390 715	679 895
Net fee and commission income	803 863	467 661	1 271 524
Investment income	59 975	76 228	136 203
Share of post taxation operating profit of associates	2 349	16 541	18 890
Trading income arising from			
– customer flow	129 707	28 294	158 001
– balance sheet management and other trading activities	8 671	(453)	8 218
Other operating income	13 195	288	13 483
Total operating income before impairment on loans and advances	**1 306 940**	**979 274**	**2 286 214**
Impairment losses on loans and advances	(74 956)	(36 498)	(111 454)
Operating income	**1 231 984**	**942 776**	**2 174 760**
Operating costs	(1 005 130)	(508 101)	(1 513 231)
Depreciation on operating leased assets	(2 141)	(28)	(2 169)
Operating profit before goodwill and acquired intangibles	**224 713**	**434 647**	**659 360**
(Profit)/loss attributable to other non-controlling interests	180	(60 419)	(60 239)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**224 893**	**374 228**	**599 121**
Profit attributable to Asset Management non-controlling interests	(11 807)	(8 484)	(20 291)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**213 086**	**365 744**	**578 830**
Impairment of goodwill	(3 134)	(1 615)	(4 749)
Amortisation of acquired intangibles	(14 386)	(2 811)	(17 197)
Net loss on disposal of subsidiaries	–	–	–
Earnings attributable to shareholders before taxation	**195 566**	**361 318**	**556 884**
Taxation on operating profit before goodwill	(39 144)	(79 344)	(118 488)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	3 305	765	4 070
Earnings attributable to shareholders	**159 727**	**282 739**	**442 466**
Selected returns and key statistics			
ROE (post-tax)*	9.4%	16.0%	12.5%
Return on tangible equity (post-tax)*	12.5%	16.3%	14.5%
Cost to income ratio	77.0%	51.9%	66.3%
Staff compensation to operating income	55.6%	36.1%	47.2%
Operating profit per employee (£'000)	56.0	70.3	64.1
Effective operational tax rate	17.6%	19.0%	18.5%
Total assets (£'million)	18 652	34 883	53 535

* *Refer to calculation on page 54.*

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2016			
Segmental geographic analysis – income statement			
Net interest income	260 945	312 824	573 769
Net fee and commission income	709 758	351 867	1 061 625
Investment income	62 120	108 288	170 408
Share of post taxation operating profit/(loss) of associates	2 321	(510)	1 811
Trading income/(loss) arising from			
– customer flow	92 681	17 546	110 227
– balance sheet management and other trading activities	(7 983)	19 360	11 377
Other operating income	8 532	1 747	10 279
Total operating income before impairment on loans and advances	**1 128 374**	**811 122**	**1 939 496**
Impairment losses on loans and advances	(84 217)	(25 299)	(109 516)
Operating income	**1 044 157**	**785 823**	**1 829 980**
Operating costs	(863 648)	(423 373)	(1 287 021)
Depreciation on operating leased assets	(2 149)	(16)	(2 165)
Operating profit before goodwill and acquired intangibles	**178 360**	**362 434**	**540 794**
Loss/(profit) attributable to other non-controlling interests	4 503	(39 704)	(35 201)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**182 863**	**322 730**	**505 593**
Profit attributable to Asset Management non-controlling interests	(10 263)	(6 266)	(16 529)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**172 600**	**316 464**	**489 064**
Impairment of goodwill	–	(1 577)	(1 577)
Amortisation of acquired intangibles	(14 477)	(1 771)	(16 248)
Net (loss)/gain on disposal of subsidiaries	(4 805)	27	(4 778)
Earnings attributable to shareholders before taxation	**153 318**	**313 143**	**466 461**
Taxation on operating profit before goodwill and acquired intangibles	(35 335)	(67 867)	(103 202)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	4 701	496	5 197
Earnings attributable to shareholders	**122 684**	**245 772**	**368 456**
Selected returns and key statistics			
ROE (post-tax)*	7.6%	16.6%	11.5%
Return on tangible equity (post-tax)*	10.5%	16.8%	13.7%
Cost to income ratio	76.7%	52.2%	66.4%
Staff compensation to operating income	54.8%	36.2%	47.0%
Operating profit per employee (£'000)	48.1	67.1	58.7
Effective operational tax rate	19.8%	18.7%	19.1%
Total assets (£'million)	18 489	26 863	45 352

* *Refer to calculation on page 54.*

Combined consolidated segmental analysis *(continued)*

Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2017			
Asset Management	91 262	73 562	164 824
Wealth & Investment	65 190	28 053	93 243
Specialist Banking	104 604	285 226	389 830
	261 056	**386 841**	**647 897**
Group costs	(36 163)	(12 613)	(48 776)
Total group	**224 893**	**374 228**	**599 121**
Other non-controlling interest – equity			60 239
Operating profit			**659 360**
2016			
Asset Management	76 853	57 930	134 783
Wealth & Investment	63 127	22 608	85 735
Specialist Banking	78 043	252 837	330 880
	218 023	**333 375**	**551 398**
Group costs	(35 160)	(10 645)	(45 805)
Total group	**182 863**	**322 730**	**505 593**
Other non-controlling interest – equity			35 201
Operating profit			**540 794**

At 31 March £'000	UK and Other	Southern Africa	Total group
Combined consolidated segmental analysis *(continued)*			
2017			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 853 570	498 132	3 351 702
Loans and advances to banks	1 102 353	2 088 688	3 191 041
Non-sovereign and non-bank cash placements	–	536 259	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	536 173	1 822 797	2 358 970
Sovereign debt securities	952 902	2 851 725	3 804 627
Bank debt securities	176 559	462 630	639 189
Other debt securities	398 278	717 280	1 115 558
Derivative financial instruments	598 959	586 889	1 185 848
Securities arising from trading activities	522 759	853 909	1 376 668
Investment portfolio	459 745	376 154	835 899
Loans and advances to customers	8 620 742	13 569 233	22 189 975
Own originated loans and advances to customers securitised	–	517 162	517 162
Other loans and advances	336 781	18 467	355 248
Other securitised assets	138 628	10 336	148 964
Interests in associated undertakings	63 390	328 823	392 213
Deferred taxation assets	89 941	44 031	133 972
Other assets	1 258 317	642 163	1 900 480
Property and equipment	60 528	45 411	105 939
Investment properties	14 500	1 114 430	1 128 930
Goodwill	355 155	12 424	367 579
Intangible assets	112 943	30 318	143 261
Non-current assets held for sale	–	27 218	27 218
	18 652 223	**27 154 479**	**45 806 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	7 728 130	7 728 130
	18 652 223	**34 882 609**	**53 534 832**
Liabilities			
Deposits by banks	623 144	2 112 922	2 736 066
Derivative financial instruments	547 322	748 884	1 296 206
Other trading liabilities	136 041	842 870	978 911
Repurchase agreements and cash collateral on securities lent	223 998	466 617	690 615
Customer accounts (deposits)	11 012 809	18 096 619	29 109 428
Debt securities in issue	1 861 341	524 839	2 386 180
Liabilities arising on securitisation of own originated loans and advances	–	90 125	90 125
Liabilities arising on securitisation of other assets	128 838	–	128 838
Current taxation liabilities	143 585	84 243	227 828
Deferred taxation liabilities	26 236	14 172	40 408
Other liabilities	1 258 189	652 641	1 910 830
	15 961 503	**23 633 932**	**39 595 435**
Liabilities to customers under investment contracts	–	7 725 604	7 725 604
Insurance liabilities, including unit-linked liabilities	–	2 526	2 526
	15 961 503	**31 362 062**	**47 323 565**
Subordinated liabilities	579 356	823 282	1 402 638
	16 540 859	**32 185 344**	**48 726 203**

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2016			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 638 069	369 200	3 007 269
Loans and advances to banks	1 103 198	1 395 387	2 498 585
Non-sovereign and non-bank cash placements	–	466 573	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	446 954	2 050 171	2 497 125
Sovereign debt securities	1 252 991	1 955 871	3 208 862
Bank debt securities	181 365	715 490	896 855
Other debt securities	393 652	556 298	949 950
Derivative financial instruments	831 295	749 654	1 580 949
Securities arising from trading activities	524 344	594 730	1 119 074
Investment portfolio	451 000	209 795	660 795
Loans and advances to customers	7 803 602	9 877 970	17 681 572
Own originated loans and advances to customers securitised	–	437 243	437 243
Other loans and advances	304 223	17 394	321 617
Other securitised assets	150 565	9 730	160 295
Interests in associated undertakings	23 587	243 512	267 099
Deferred taxation assets	85 050	27 085	112 135
Other assets	1 683 290	409 371	2 092 661
Property and equipment	56 374	34 514	90 888
Investment properties	79 051	859 828	938 879
Goodwill	356 994	11 045	368 039
Intangible assets	123 480	24 800	148 280
	18 489 084	**21 015 661**	**39 504 745**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 847 036	5 847 036
	18 489 084	**26 862 697**	**45 351 781**
Liabilities			
Deposits by banks	501 259	1 896 144	2 397 403
Derivative financial instruments	947 502	635 345	1 582 847
Other trading liabilities	226 598	730 820	957 418
Repurchase agreements and cash collateral on securities lent	281 260	690 386	971 646
Customer accounts (deposits)	10 800 668	13 243 613	24 044 281
Debt securities in issue	1 702 098	597 653	2 299 751
Liabilities arising on securitisation of own originated loans and advances	–	85 650	85 650
Liabilities arising on securitisation of other assets	120 617	234	120 851
Current taxation liabilities	140 959	51 296	192 255
Deferred taxation liabilities	33 834	21 652	55 486
Other liabilities	1 318 156	484 811	1 802 967
	16 072 951	**18 437 604**	**34 510 555**
Liabilities to customers under investment contracts	–	5 845 503	5 845 503
Insurance liabilities, including unit-linked liabilities	–	1 533	1 533
	16 072 951	**24 284 640**	**40 357 591**
Subordinated liabilities	597 309	537 574	1 134 883
	16 670 260	**24 822 214**	**41 492 474**

Combined consolidated segmental analysis *(continued)*

Segmental business and geographic analysis – income statement

For the year to 31 March £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
2017						
Net interest income	111	5 007	5 118	4 368	7 600	11 968
Net fee and commission income	308 084	176 788	484 872	267 847	75 861	343 708
Investment income	–	143	143	2 169	100	2 269
Share of post tax operating profit of associates	–	–	–	1 509	–	1 509
Trading income arising from						
– customer flow	–	–	–	740	288	1 028
– balance sheet management and other trading activities	3 221	(1 008)	2 213	215	(128)	87
Other operating income	5 312	332	5 644	–	–	–
Total operating income before impairment losses on loans and advances	**316 728**	**181 262**	**497 990**	**276 848**	**83 721**	**360 569**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**316 728**	**181 262**	**497 990**	**276 848**	**83 721**	**360 569**
Operating costs	(225 466)	(107 700)	(333 166)	(211 658)	(55 668)	(267 326)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**91 262**	**73 562**	**164 824**	**65 190**	**28 053**	**93 243**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**91 262**	**73 562**	**164 824**	**65 190**	**28 053**	**93 243**
Profit attributable to Asset Management non-controlling interests	(11 807)	(8 484)	(20 291)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**79 455**	**65 078**	**144 533**	**65 190**	**28 053**	**93 243**
Selected returns and key statistics						
Cost to income ratio	71.2%	59.4%	66.9%	76.5%	66.5%	74.1%
Staff compensation to operating income	54.0%	36.1%	47.5%	57.5%	45.7%	54.7%

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
284 701	378 108	662 809	–	–	–	679 895
227 932	215 012	442 944	–	–	–	1 271 524
57 806	75 985	133 791	–	–	–	136 203
840	16 541	17 381	–	–	–	18 890
128 967	28 006	156 973	–	–	–	158 001
5 235	683	5 918	–	–	–	8 218
7 883	(44)	7 839	–	–	–	13 483
713 364	**714 291**	**1 427 655**	**–**	**–**	**–**	**2 286 214**
(74 956)	(36 498)	(111 454)			–	(111 454)
638 408	**677 793**	**1 316 201**	**–**	**–**	**–**	**2 174 760**
(531 843)	(332 120)	(863 963)	(36 163)	(12 613)	(48 776)	(1 513 231)
(2 141)	(28)	(2 169)	–	–	–	(2 169)
104 424	**345 645**	**450 069**	**(36 163)**	**(12 613)**	**(48 776)**	**659 360**
180	(60 419)	(60 239)	–	–	–	(60 239)
104 604	**285 226**	**389 830**	**(36 163)**	**(12 613)**	**(48 776)**	**599 121**
–	–	–	–	–	–	(20 291)
104 604	**285 226**	**389 830**	**(36 163)**	**(12 613)**	**(48 776)**	**578 830**
74.8%	46.5%	60.6%	n/a	n/a	n/a	66.3%
55.6%	34.9%	45.2%	n/a	n/a	n/a	47.2%

Share-based payments

The group operates share option and long-term share incentive plans for employees, which are on an equity-settled basis. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans is provided in the remuneration report on page 130 and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Share-based payment expense					
2017					
Equity-settled	2 988	7 211	47 018	4 619	61 836
Total income statement charge	**2 988**	**7 211**	**47 018**	**4 619**	**61 836**
2016					
Equity-settled	3 248	9 964	35 403	2 446	51 061
Total income statement charge	**3 248**	**9 964**	**35 403**	**2 446**	**51 061**

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £nil (2016: £0.02 million).

For the year to 31 March £'000	2017	2016
Weighted average fair value of options granted in the year		
UK schemes	29 213	29 344
South African schemes	31 806	36 634

	UK schemes				South African schemes			
	2017		2016		2017		2016	
Details of options outstanding during the year	**Number of share options**	**Weighted average exercise price £**	**Number of share options**	**Weighted average exercise price £**	**Number of share options**	**Weighted average exercise price £**	**Number of share options**	**Weighted average exercise price £**
Outstanding at the beginning of the year	28 760 479	0.07	32 430 764	0.06	37 773 545	–	41 633 973	–
Granted during the year	6 501 494	0.01	6 810 928	0.12	6 527 507	–	8 431 958	–
Exercised during the year^	(8 239 897)	0.03	(9 203 122)	0.01	(7 328 694)	–	(10 977 407)	–
Expired during the year	–	–	–	–	(1 027 427)	–	(1 314 979)	–
Options forfeited during the year	(1 030 469)	0.30	(1 278 091)	0.44	–	–	–	–
Outstanding at the end of the year	**25 991 607**	**0.06**	**28 760 479**	**0.07**	**35 944 931**	**–**	**37 773 545**	
Vested and exercisable at the end of the year	**12 250**	**–**	**70 987**	**–**	**9 413**	**–**	**10 878**	**–**

^ *The weighted average share price for options exercised during the year was £5.09 (2016: £5.34) and R94.43 (2016: R108.32) for the South African schemes.*

Share-based payments

(continued)

Additional information relating to options	UK schemes 2017	UK schemes 2016	South African schemes 2017	South African schemes 2016
Additional information relating to options				
Options with strike prices				
Exercise price range	£3.29 – £6.00	£3.29 – £6.00	n/a	n/a
Weighted average remaining contractual life	1.72 years	2.09 years	n/a	n/a
Long-term incentive grants with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	1.72 years	1.77 years	1.76 Years	2.04 Years
Weighted average fair value of options and long-term grants at measurement date	£4.49	£4.31	R98.30	R84.62
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£4.36 – £5.20	£5.68 – £6.00	R89.97 – R105.30	R109.98 – R120.88
– Exercise price	£nil, £4.36 – £5.20	£nil, £5.68 – £6.00	R nil	R nil
– Expected volatility	30%	30%	n/a	30%
– Option life	2.5 – 5 Years	3 – 5.5 Years	4.5 – 5 Years	4 – 5 Years
– Expected dividend yields	5.90% – 6.75%	4.50% – 4.67%	n/a	4.02% – 4.19%
– Risk-free rate	0.82% – 1.44%	1.28% – 1.31%	n/a	7.49 % – 7.66%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

Earnings per share

	31 March 2017	31 March 2016
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	442 466	368 456
Preference dividends paid	(25 658)	(33 192)
Gain on redemption of preference shares	40 427	–
Earnings and diluted earnings attributable to ordinary shareholders	**457 235**	**335 264**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	947 161 346	906 490 426
Weighted average number of treasury shares	(46 715 508)	(35 964 483)
Weighted average number of shares in issue during the year	900 445 838	870 525 943
Weighted average number of shares resulting from future dilutive potential shares	36 895 311	42 748 491
Adjusted weighted number of shares potentially in issue	**937 341 149**	**913 274 434**
Earnings per share – pence Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.	**50.8**	**38.5**
Diluted earnings per share – pence Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the during the year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.	**48.8**	**36.7**
Adjusted earnings per share – pence Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year.	**48.3**	**41.3**
	£'000	**£'000**
Earnings attributable to shareholders	442 466	368 456
Impairment of goodwill	4 749	1 577
Amortisation of acquired intangibles	17 197	16 248
Net loss on disposal of subsidiaries	–	4 778
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(4 070)	(5 197)
Preference dividends paid	(25 658)	(33 192)
Accrual adjustment on earnings attributable to other equity holders*	(180)	7 062
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**434 504**	**359 732**

* *In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.*

Earnings per share *(continued)*

	31 March 2017	31 March 2016
Headline earnings per share – pence		
Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listing Requirements, and in terms of circular 2/2015 issued by the South African Institute of Chartered Accountants	**48.2**	**38.5**
	£'000	**£'000**
Earnings attributable to shareholders	442 466	368 456
Impairment of goodwill	4 749	1 577
Net loss on disposal of subsidiaries	–	4 778
Preference dividends paid	(25 658)	(33 192)
Gain on redemption of preference shares	40 427	–
Property revaluation, net of taxation and non-controlling interests**	(21 777)	(10 030)
Gains on available-for-sale instruments recycled through the income statement**	(7 781)	(1 961)
Loss on non current assets held for sale**	1 999	5 092
Headline earnings attributable to ordinary shareholders**	**434 425**	**334 720**

** *Taxation on headline earnings adjustments amounted to £7.4 million (2016: £1.9 million) with an impact of £26 .6 million (2016: £9.4 million) on earnings attributable to non-controlling interests.*

Notes to the annual financial statements

(continued)

For the year to 31 March	2017 Pence per share	2017 Total £'000	2016 Pence per share	2016 Total £'000
Dividends				
Ordinary dividend				
Final dividend for prior year	11.5	123 341	11.5	97 896
Interim dividend for current year	10.0	93 261	9.5	82 113
Total dividend attributable to ordinary shareholders recognised in current financial year	**21.5**	**216 602**	**21.0**	**180 009**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2017 of 13.0 pence per ordinary share (31 March 2016: 11.5 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 225 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 13.0 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 6.0 pence per ordinary share and through a dividend payment on the SA DAS share of 7.0 pence per ordinary share.

The final dividend to shareholders registered on 28 July 2017 is subject to the approval of the members of Investec plc and Investec Limited at the general meeting which is scheduled to take place on 10 August 2017 and, if approved, will be paid on 14 August 2017.

For the year to 31 March £'000	2017	2016
Dividends *(continued)*		
Perpetual preference dividend		
Final dividend for prior year	10 403	10 910
Interim dividend for current year	11 769	9 424
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**22 172**	**20 334**

* *Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.*

The directors have declared a final dividend in respect of the financial year ended 31 March 2017 of 6.23288 pence (Investec plc shares traded on the JSE Limited) and 6.23288 pence (Investec plc shares traded on the International Stock Exchange), 497.38356 cents (Investec plc Rand-denominated shares), 407.17389 cents (Investec Limited) and 436.28392 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 9 June 2017.

For the year to 31 March		
Dividend attributable to perpetual preferred securities	**–**	**10 057**

The €200 000 000 fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in the 2016 year but were redeemed in full on 24 June 2015.

Dividends attributable to Additional Tier 1 securities in issue	**3 486**	**2 801**

The R550 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25% on a quarterly basis as set out in note 46.

Total perpetual preference dividend and Other Additional Tier 1 securities	**25 658**	**33 192**

Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss – Trading	At fair value through profit or loss – Designated at inception	Available-for-sale	Total instruments at fair value
2017				
Assets				
Cash and balances at central banks	2 497	–	–	2 497
Loans and advances to banks	–	200 364	–	200 364
Non-sovereign and non-bank cash placements	10	–	–	10
Reverse repurchase agreements and cash collateral on securities borrowed	1 167 255	–	–	1 167 255
Sovereign debt securities	–	2 298 331	1 307 654	3 605 985
Bank debt securities	–	–	327 888	327 888
Other debt securities	13	111 112	625 933	737 058
Derivative financial instruments*	1 185 848	–	–	1 185 848
Securities arising from trading activities	1 123 200	253 468	–	1 376 668
Investment portfolio	–	782 370	53 529	835 899
Loans and advances to customers	–	921 991	–	921 991
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	138 628	–	138 628
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	217 667	65 545	–	283 212
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets held for sale**	–	27 218	–	27 218
	3 696 490	**4 799 027**	**2 315 004**	**10 810 521**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 696 490	**4 799 027**	**2 315 004**	**10 810 521**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 296 206	–	–	1 296 206
Other trading liabilities	978 911	–	–	978 911
Repurchase agreements and cash collateral on securities lent	137 861	–	–	137 861
Customer accounts (deposits)	–	2 046 340	–	2 046 340
Debt securities in issue	–	640 557	–	640 557
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	128 838	–	128 838
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	43 813	–	–	43 813
	2 456 791	**2 815 735**	**–**	**5 272 526**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 456 791	**2 815 735**	**–**	**5 272 526**
Subordinated liabilities	–	–	–	–
	2 456 791	**2 815 735**	**–**	**5 272 526**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

** *Non-current assets held for sale relates to an acquisition of a non-controlling interest in and entity management have entered into negotiations to dispose of this interest.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Financial assets linked to investment contract liabilities	Non-financial instruments or scoped out of IAS 39	Total
–	3 349 205	–	3 349 205	–	–	3 351 702
–	2 990 677	–	2 990 677	–	–	3 191 041
–	536 249	–	536 249	–	–	536 259
–	1 191 715	–	1 191 715	–	–	2 358 970
198 642	–	–	198 642	–	–	3 804 627
104 584	206 717	–	311 301	–	–	639 189
12 309	366 191	–	378 500	–	–	1 115 558
–	–	–	–	–	–	1 185 848
–	–	–	–	–	–	1 376 668
–	–	–	–	–	–	835 899
–	21 267 984	–	21 267 984	–	–	22 189 975
–	517 162	–	517 162	–	–	517 162
–	355 248	–	355 248	–	–	355 248
–	10 336	–	10 336	–	–	148 964
–	–	–	–	–	392 213	392 213
–	–	–	–	–	133 972	133 972
–	1 165 779	–	1 165 779	–	451 489	1 900 480
–	–	–	–	–	105 939	105 939
–	–	–	–	–	1 128 930	1 128 930
–	–	–	–	–	367 579	367 579
–	–	–	–	–	143 261	143 261
–	–	–	–	–	–	27 218
315 535	**31 957 263**	**–**	**32 272 798**	**–**	**2 723 383**	**45 806 702**
–	–	–	–	7 728 130	–	7 728 130
315 535	**31 957 263**	**–**	**32 272 798**	**7 728 130**	**2 723 383**	**53 534 832**
–	–	2 736 066	2 736 066	–	–	2 736 066
–	–	–	–	–	–	1 296 206
–	–	–	–	–	–	978 911
–	–	552 754	552 754	–	–	690 615
–	–	27 063 088	27 063 088	–	–	29 109 428
–	–	1 745 623	1 745 623	–	–	2 386 180
–	–	90 125	90 125	–	–	90 125
–	–	–	–	–	–	128 838
–	–	–	–	–	227 828	227 828
–	–	–	–	–	40 408	40 408
		1 135 721	1 135 721		731 296	1 910 830
–	**–**	**33 323 377**	**33 323 377**	**–**	**999 532**	**39 595 435**
–	–	–	–	7 725 604	–	7 725 604
–	–	–	–	2 526	–	2 526
–	**–**	**33 323 377**	**33 323 377**	**7 728 130**	**999 532**	**47 323 565**
–	–	1 402 638	1 402 638	–	–	1 402 638
–	**–**	**34 726 015**	**34 726 015**	**7 728 130**	**999 532**	**48 726 203**

Analysis of financial assets and liabilities by category of financial instruments *(continued)*

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
2016				
Assets				
Cash and balances at central banks	1 123	–	–	1 123
Loans and advances to banks	–	149 478	–	149 478
Non-sovereign and non-bank cash placements	158	–	–	158
Reverse repurchase agreements and cash collateral on securities borrowed	1 438 209	–	–	1 438 209
Sovereign debt securities	–	1 368 739	1 664 170	3 032 909
Bank debt securities	–	107 113	241 205	348 318
Other debt securities	11	141 476	550 168	691 655
Derivative financial instruments*	1 580 949	–	–	1 580 949
Securities arising from trading activities	915 981	203 093	–	1 119 074
Investment portfolio	–	599 667	61 128	660 795
Loans and advances to customers	–	666 610	–	666 610
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	147 590	–	147 590
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	331 860	49 350	–	381 210
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	4 268 291	**3 433 116**	**2 516 671**	**10 218 078**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	4 268 291	**3 433 116**	**2 516 671**	**10 218 078**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 582 847	–	–	1 582 847
Other trading liabilities	957 418	–	–	957 418
Repurchase agreements and cash collateral on securities lent	272 908	–	–	272 908
Customer accounts (deposits)	–	570 751	–	570 751
Debt securities in issue	–	591 925	–	591 925
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	120 851	–	120 851
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	32 194	–	–	32 194
	2 845 367	**1 283 527**	**–**	**4 128 894**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 845 367	**1 283 527**		**4 128 894**
Subordinated liabilities	–	–	–	–
	2 845 367	**1 283 527**	**–**	**4 128 894**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Financial assets linked to investment contract liabilities	Non-financial instruments or scoped out of IAS 39	Total
–	3 006 146	–	3 006 146	–	–	3 007 269
–	2 349 107	–	2 349 107	–	–	2 498 585
–	466 415	–	466 415	–	–	466 573
–	1 058 916	–	1 058 916	–	–	2 497 125
175 953	–	–	175 953	–	–	3 208 862
296 857	251 680	–	548 537	–	–	896 855
12 486	245 809	–	258 295	–	–	949 950
–	–	–	–	–	–	1 580 949
–	–	–	–	–	–	1 119 074
–	–	–	–	–	–	660 795
–	17 014 962	–	17 014 962	–	–	17 681 572
–	437 243	–	437 243	–	–	437 243
–	321 617	–	321 617	–	–	321 617
–	12 705	–	12 705	–	–	160 295
–	–	–	–	–	267 099	267 099
–	–	–	–	–	112 135	112 135
–	1 215 965	–	1 215 965	–	495 486	2 092 661
–	–	–	–	–	90 888	90 888
–	–	–	–	–	938 879	938 879
–	–	–	–	–	368 039	368 039
–	–	–	–	–	148 280	148 280
485 296	**26 380 565**	**–**	**26 865 861**	**–**	**2 420 806**	**39 504 745**
–	–	–	–	5 847 036	–	5 847 036
485 296	**26 380 565**	**–**	**26 865 861**	**5 847 036**	**2 420 806**	**45 351 781**
–	–	2 397 403	2 397 403	–	–	2 397 403
–	–	–	–	–	–	1 582 847
–	–	–	–	–	–	957 418
–	–	698 738	698 738	–	–	971 646
–	–	23 473 530	23 473 530	–	–	24 044 281
–	–	1 707 826	1 707 826	–	–	2 299 751
–	–	85 650	85 650	–	–	85 650
–	–	–	–	–	–	120 851
–	–	–	–	–	192 255	192 255
–	–	–	–	–	55 486	55 486
–	–	1 199 976	1 199 976	–	570 797	1 802 967
–	**–**	**29 563 123**	**29 563 123**	**–**	**818 538**	**34 510 555**
–	–	–	–	5 845 503	–	5 845 503
–	–	–	–	1 533	–	1 533
–	**–**	**29 563 123**	**29 563 123**	**5 847 036**	**818 538**	**40 357 591**
–	–	1 134 883	1 134 883	–	–	1 134 883
–	**–**	**30 698 006**	**30 698 006**	**5 847 036**	**818 538**	**41 492 474**

Financial instruments at fair value

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

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

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

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

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders. These are all classified as level 1.

		Fair value category		
At 30 March £'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
2017				
Assets				
Cash and balances at central banks	2 497	2 497	–	–
Loans and advances to banks	200 364	200 364	–	–
Non-sovereign and non-bank cash placements	10	–	10	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 167 255	176 189	991 066	–
Sovereign debt securities	3 605 985	3 605 985	–	–
Bank debt securities	327 888	245 015	82 873	–
Other debt securities	737 058	385 999	344 628	6 431
Derivative financial instruments	1 185 848	–	1 126 751	59 097
Securities arising from trading activities	1 376 668	1 341 112	26 485	9 071
Investment portfolio	835 899	209 584	39 988	586 327
Loans and advances to customers	921 991	–	835 509	86 482
Other securitised assets	138 628	–	–	138 628
Other assets	283 212	283 212	–	–
Non-current assets held for sale	27 218	–	–	27 218
	10 810 521	**6 449 957**	**3 447 310**	**913 254**
Liabilities				
Derivative financial instruments	1 296 206	1 676	1 293 482	1 048
Other trading liabilities	978 911	900 355	78 556	–
Repurchase agreements and cash collateral on securities lent	137 861	–	137 861	–
Customer accounts (deposits)	2 046 340	–	2 046 340	–
Debt securities in issue	640 557	–	627 875	12 682
Liabilities arising on securitisation of other assets	128 838	–	–	128 838
Other liabilities	43 813	–	43 813	–
	5 272 526	**902 031**	**4 227 927**	**142 568**
Net financial assets/(liabilities) at fair value	**5 537 995**	**5 547 926**	**(780 617)**	**770 686**

At 31 March £'000	Total investments at fair value	Fair value category Level 1	Level 2	Level 3
Financial instruments at fair value *(continued)*				
2016				
Assets				
Cash and balances at central banks	1 123	1 123	–	–
Loans and advances to banks	149 478	149 478	–	–
Non-sovereign and non-bank cash placements	158	–	158	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 438 209	137 409	1 300 800	–
Sovereign debt securities	3 032 909	3 032 909	–	–
Bank debt securities	348 318	214 665	133 653	–
Other debt securities	691 655	500 583	180 142	10 930
Derivative financial instruments	1 580 949	–	1 530 790	50 159
Securities arising from trading activities	1 119 074	1 088 384	23 234	7 456
Investment portfolio	660 795	120 075	31 250	509 470
Loans and advances to customers	666 610	–	579 340	87 270
Other securitised assets	147 590	–	–	147 590
Other assets	381 210	381 210	–	–
	10 218 078	**5 625 836**	**3 779 367**	**812 875**
Liabilities				
Derivative financial instruments	1 582 847	–	1 581 492	1 355
Other trading liabilities	957 418	918 165	39 253	–
Repurchase agreements and cash collateral on securities lent	272 908	–	272 908	–
Customer accounts (deposits)	570 751	–	570 751	–
Debt securities in issue	591 925	–	591 925	–
Liabilities arising on securitisation of other assets	120 851	234	–	120 617
Other liabilities	32 194	–	32 194	–
	4 128 894	**918 399**	**3 088 523**	**121 972**
Net financial assets at fair value	**6 089 184**	**4 707 437**	**690 844**	**690 903**

Transfers between level 1 and level 2

During the 2016 year derivative financial assets and liabilities to the value of £116.9 million and £210.3 million respectively were transferred from level 1 to level 2 to reflect the level of modelling which is now being used to arrive at the fair value.

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

Financial instruments at fair value *(continued)*

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2017 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation,	Yield curves
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Yield curves NCD curves
Other debt securities	Discounted cash flow model	Yield curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model Adjusted quoted price	Interest rate curves, implied bond spreads, equity volatilities Liquidity adjustment
Investment portfolio	Discounted cash flow model, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves
Customer accounts (deposits)	Discounted cash flow model	Yield curves
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves

Financial instruments at fair value *(continued)*

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

For the year to 31 March £'000	Total level 3 financial instruments
Balance at 1 April 2015	**851 703**
Total gains or losses	26 006
– In the income statement	26 278
– In the statement of comprehensive income	(272)
Purchases	172 555
Sales	(863 789)
Issues	3 475
Settlements	505 707
Transfers into level 3	31 362
Transfers out of level 3	11 520
Foreign exchange adjustments	(47 636)
Balance at 31 March 2016	**690 903**
Total gains or losses	74 898
– In the income statement	77 099
– In the statement of comprehensive income	(2 201)
Purchases	170 894
Sales	(167 297)
Issues	(16 226)
Settlements	(51 847)
Transfers into level 3	6 168
Transfers out of level 3	(16 312)
Foreign exchange adjustments	79 505
Balance at 31 March 2017	**770 686**

For the year ended 31 March 2017, a level 3 investment of £16.3 million has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition £6.2 million has been transferred to level 3 due to valuation inputs becoming unobservable.

For the year ended 31 March 2016, £16.1 million of assets were transferred from level 3 into level 2. The valuation methodologies were reviewed and observable inputs were used to determine the fair value. In addition, (£4.6) million has been transferred into level 2 as a result of the inputs to the valuation methods becoming more observable. There were transfers from level 2 to the level 3 category to the value of £31.3 million because the significance of the unobservable inputs used to determine the fair value increased significantly to warrant a transfer.

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

Financial instruments at fair value *(continued)*

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

For the year to 31 March £'000	Total	Realised	Unrealised
2017			
Total gains included in the income statement for the year			
Net interest income	1 831	1 831	–
Fee and commission income	11 732	11 443	289
Investment income	36 887	35 527	1 360
Trading income arising from customer flow	26 649	16	26 633
	77 099	**48 817**	**28 282**
Total gains or (losses) on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	16 377	16 377	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(2 201)	–	(2 201)
	14 176	**16 377**	**(2 201)**
2016			
Total gains or (losses) included in the income statement for the year			
Net interest income	238	238	–
Fee and commission income	4 938	4 938	–
Investment income/(loss)	30 261	158 002	(127 741)
Trading (loss)/income arising from customer flow	(9 159)	(9 863)	704
	26 278	**153 315**	**(127 037)**
Total gains or (losses) on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	3 437	3 437	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(272)	–	(272)
	3 165	**3 437**	**(272)**

Financial instruments at fair value *(continued)*

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

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

31 March 2017	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	6 431	Effect on income statement			
		Price earnings multiple	(10%)/10%	965	(129)
Derivative financial instruments	59 097	Effect on income statement		6 692	(5 016)
		Volatilities	4% – 9.5%	2 465	(1 537)
		EBITDA	5% – 6 %	63	–
		Cash flow adjustments	CPR 6.25% – 8.4%	648	(1 086)
		Property values	(10%)/10%	60	(60)
		Other^	^	3 456	(2 333)
Securities arising from trading activities		Effect on income statement			
	9 071	Cash flow adjustments	CPR 9%	1 290	(1 074)
Investment portfolio	586 327	Effect on income statement		81 819	(76 204)
		Price Earnings multiple	3 x – 10.3 x	5 430	(5 788)
		Precious and industrial metal prices	(10%)/10%	15 403	(17 215)
		EBITDA	^^	20 862	(17 532)
		Other^	^	40 124	(35 669)
		Effect on other comprehensive income		6 228	(2 655)
		Price Earnings multiple	4.0 x – 4.5 x	630	(301)
		Other^	^	5 598	(2 354)
Loans and advances to customers	86 482	Effect on income statement		9 825	(9 716)
		EBITDA	10%	5 681	(5 681)
		Other^	^	4 144	(4 035)
Other securitised assets*	138 628	Effect on income statement			
		Cash flow adjustments	CPR 6.25%	48	(38)
		Effect on income statement			
Non current assets held for sale	27 218	Price earnings multiple	(10%)/10%	3 876	(3 459)
Liabilities					
Derivative financial instruments	1 048	Effect on income statement			
		Cash flow adjustments	CPR 8.4%	983	(794)
Debt securities in issue		Effect on income statement			
	12 682	Volatilities	7%	401	(608)
Liabilities arising on securitisation of other assets*		Effect on income statement			
	128 838	Cash flow adjustments	CPR 6.25%	931	(847)
Net level 3 assets	770 686			**113 058**	**(100 540)**

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share) portfolios 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 purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

^^ *The EBITDA has been stressed on an investment by investment basis in order to obtain a favourable and unfavourable valuation.*

Financial instruments at fair value *(continued)*

At 31 March 2016	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	10 930	Effect on income statement		**525**	**(796)**
		Cash flow adjustments	CPR 9%	525	(472)
		Other^	^	–	(324)
Derivative financial instruments	50 159	Effect on income statement		**8 305**	**(5 501)**
		Volatilities	3.75% – 9%	2 471	(1 015)
		Cash flow adjustments	CPR 5% – 7.4%	834	(1 701)
		Net asset value	(10%) – 10%	47	(47)
		Other^	^	4 953	(2 738)
Securities arising from trading activities	7 456	Effect on income statement			
		Cash flow adjustments	CPR 6.5% – 9%	1 380	(1 050)
Investment portfolio	509 470	Effect on income statement		**64 695**	**(49 344)**
		Price earnings multiple	(10%) – 10%	4 203	(4 272)
		Price earnings multiple	^^	5 084	(4 006)
		Other^	^	55 408	(41 066)
		Effect on other comprehensive income		**5 668**	**(2 300)**
		EBITDA	42x	2 418	(1 340)
		Other^	^	3 250	(960)
Loans and advances to customers	87 270	Effect on income statement		**1 550**	**(9 400)**
		Discount rates	16%	1 550	(987)
		Other^	^	–	(8 413)
Other securitised assets*	147 590	Effect on income statement		**2 825**	**(2 876)**
		Cash flow adjustments	CPR 5%	1 569	(1 727)
		Other^	^	1 256	(1 149)
Liabilities					
Derivative financial instruments	1 355	Effect on income statement		**1 667**	**(797)**
		Cash flow adjustments	CPR 7.1%	1 661	(790)
		Volatilities	9%	6	(7)
Liabilities arising on securitisation of other assets*	120 617	Effect on income statement			
		Cash flow adjustments	CPR 5%	1 356	(1 254)
Net level 3 assets	**690 903**			**87 971**	**(73 318)**

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share) portfolios 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 purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

^^ *The price earnings multiple has been determined on an investment by investment basis in order to obtain a favourable and unfavourable valuation.*

Financial instruments at fair value *(continued)*

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

EBITDA

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

Price earnings multiple

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

Precious and industrial metals

The price of precious and industrial metals in a key driver of future cash flows on certain investments.

Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	2017			2016		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**
Foreign exchange derivatives						
Forward foreign exchange contracts	18 610 552	297 618	246 584	21 265 914	449 114	535 334
Currency swaps	1 613 133	219 907	341 284	2 384 726	222 163	532 032
OTC options bought and sold	14 323 079	87 271	54 704	5 742 300	83 591	55 517
Other foreign exchange contracts	57	208	189	16 413	230	–
OTC derivatives	**34 546 821**	**605 004**	**642 761**	**29 409 353**	**755 098**	**1 122 883**
Interest rate derivatives						
Caps and floors	5 898 931	27 422	11 025	2 979 226	40 059	8 981
Swaps	30 156 329	209 890	258 866	25 958 666	263 982	337 819
Forward rate agreements	77 522	944	1 163	470 038	3 525	3 466
OTC options bought and sold	^	1 415	1 399	4 733	879	726
Other interest rate contracts	373 614	26 905	2 040	6 153	5 456	1 413
OTC derivatives	**36 506 396**	**266 576**	**274 493**	**29 418 816**	**313 901**	**352 405**
Equity and stock index derivatives						
OTC options bought and sold	21 144 620	256 441	260 862	4 268 192	287 510	93 361
Equity swaps and forwards	2 004 532	20 695	57 279	1 501 432	18 894	34 126
OTC derivatives	23 149 152	277 136	318 141	5 769 624	306 404	127 487
Exchange traded futures	277 250	107	–	364 936	1 869	1 271
Exchange traded options	7 208 932	3 440	–	6 095 067	169 788	352 743
Warrants	184 179	479	305 526	199 574	321	196 454
	30 819 513	**281 162**	**623 667**	**12 429 201**	**478 382**	**677 955**
Commodity derivatives						
OTC options bought and sold	39 026	518	477	13 497	680	680
Commodity swaps and forwards	652 431	23 353	14 905	683 279	44 698	41 587
OTC derivatives	**691 457**	**23 871**	**15 382**	**696 776**	**45 378**	**42 267**
Credit derivatives	**1 195 882**	**16 673**	**17 479**	**993 176**	**17 188**	**20 071**
Embedded derivatives*		**30 886**			**43 802**	
Cash collateral		**(38 324)**	**(277 576)**		**(72 800)**	**(632 734)**
Derivatives per balance sheet		**1 185 848**	**1 296 206**		**1 580 949**	**1 582 847**

* *Mainly includes profit shares received as part of lending transactions.*
^ *Less than £1 000.*

As at 31 March £'000	2017	2016
Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	384 802	260 076
Goodwill	7 411	7 023
Investment in associated undertakings	**392 213**	**267 099**
Analysis of the movement in interests in associated undertakings:		
At the beginning of the year	267 099	25 244
Exchange adjustments	65 800	(6 333)
Disposals	(6 141)	–
Acquisitions*	–	247 325
Acquisition of non-controlling interests	5 528	969
Transfer from investment portfolio^	43 362	–
Operating income from associates	18 890	1 811
Dividends received	(2 325)	(1 917)
At the end of the year	**392 213**	**267 099**

* *In South Africa a new investment vehicle, IEP Group (Pty) Ltd (IEP), was created on 11 January 2016 in which Investec holds a 45% stake alongside other strategic investors who hold the remaining 55%. Investec Principal Investments transferred certain portfolio investments to the value of £369 million (R7.6 billion) to IEP. In exchange, Investec received £122.4 million (R2.5 billion) in cash and 45% of the shares in IEP (£247.3 million, R5.1 billion), reflected as an associate.*

^ *The increase in the associates during the year is due to the reclassification of an investment which was previously held at fair value in the investment portfolio. If this associate had been accounted for in this way in the March 2016 accounts the interests in associated undertakings would have increased by £30.5 million. There would have been no change to the income statement or any other balance sheet line.*

As at 31 March £'000	2017
Details of material associated companies	
IEP Group (Pty) Ltd	
Carrying value of interest – equity method	322 804
Net asset value	282 172
Goodwill	40 632
Effective interest in issued share capital	45%
Summarised financial information:	
Revenue	310 191
Proft after taxation	36 510
Total comprehensive income	36 510
Asset and liabilities	
Non-current assets	1 187 330
Current assets	315 324
Non-current liabilities	458 874
Current liabilities	303 135
Net asset value	**740 645**
Non-controlling interest	113 596
Shareholders' equity	627 049

For the year ended 31 March 2016, summarised financial information of IEP Group is not available as the company was only incorporated during 2016.

As at 31 March £'000	2017	2016
Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	66 299	229 272
Three months to one year	359 991	151 758
One to five years	1 173 080	1 176 639
Greater than five years	786 810	742 082
	2 386 180	**2 299 751**

At 31 March	2017	2016
Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	617 418 864	613 609 642
Issued during the year	39 686 761	3 809 222
At the end of the year	**657 105 625**	**617 418 864**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	124	123
Issued during the year	8	1
At the end of the year	**132**	**124**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	291 363 706	285 748 623
Issued during the year	9 801 468	5 615 083
At the end of the year	**301 165 174**	**291 363 706**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	58	57
Issued during the year	1	1
At the end of the year	**59**	**58**
Number of UK DAN shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of UK DAN share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of UK DAS shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of UK DAS share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of special voting shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of special voting share	**£'000**	**£'000**
At the beginning and end of the year	*	*

* *Less than £1 000.*

At 31 March	2017	2016

Ordinary share capital *(continued)*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2016: R1 960 002), comprising 450 000 000 (2016: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2016: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2016 =: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2016: 1 500 000) Class ILRP 2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2016: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2016: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2016: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2016: 1) Dividend Access (South African resident) redeemable preference share of R1.1 (2016: 1) Dividend Access (non-South African resident) redeemable preference share of R1 700 000 000 (2016: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares).

Issued, allotted and fully paid

Number of ordinary shares	Number	Number
At the beginning of the year	291 363 706	285 748 623
Issued during the year	9 801 468	5 615 083
At the end of the year	**301 165 174**	**291 363 706**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	46	46
Issued during the year	*	*
At the end of the year	**46**	**46**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	617 418 864	613 609 642
Issued during the year	39 686 761	3 809 222
At the end of the year	**657 105 625**	**617 418 864**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	5	5
Issued during the year	*	*
At the end of the year	**5**	**5**
Number of SA DAN shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAN share	**£'000**	**£'000**
At the beginning and end of the year	*	*

* *Less than £1 000.*

At 31 March	2017	2016
Ordinary share capital *(continued)*		
Number of SA DAS shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAS share	**£'000**	**£'000**
At the beginning and end of the year		*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited:		
Total called up share capital	242	233
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	**237**	**228**

* *Less than £1 000.*

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling: Rand exchange rates. In terms of the DLC structure shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 7.

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

For the year to 31 March	Number 2017	Number 2016
Opening balance	66 534 024	74 064 737
Issued during the year	13 029 001	15 242 886
Exercised	(15 568 591)	(20 180 529)
Lapsed	(2 057 896)	(2 593 070)
Closing balance	**61 936 538**	**66 534 024**

The purpose of the staff share scheme is to promote an esprit de corps within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the groups' share price.

At present, the practice of the group is to grant all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from four to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.

The extent of the directors' and staff interests in the incentive scheme is detailed on pages 130 and 148 to 151.

As at 31 March £'000	2017	2016
Related party transactions		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	34 062	37 215
Increase in loans	6 352	3 870
Repayment of loans	(10 232)	(6 775)
Exchange adjustment	(3 467)	(248)
At the end of the year	**26 715**	**34 062**
Guarantees		
At the beginning of the year	11 330	8 512
Additional guarantees granted	80	3 748
Guarantees cancelled	(5 884)	(449)
Exchange adjustment	566	(481)
At the end of the year	**6 092**	**11 330**
Deposits		
At the beginning of the year	(25 711)	(35 537)
Increase in deposits	(21 130)	(12 189)
Decrease in deposits	12 023	21 317
Exchange adjustment	(1 420)	698
At the end of the year	**(36 238)**	**(25 711)**

The above transactions were made in the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

For the year to 31 March £'000	2017	2016
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	**32 899**	**29 450**
The loan arises from Investec's portion of funding in relation to the 15% acquisition of Investec Asset Management by senior management of the business.		
During the prior year the group made an investment in a private equity vehicle in which Bradley Fried an Investec Director, has significant influence. Bradley Fried resigned from the board on 31 March 2016. The group has an investment of £36.3 million (2016: £30.5 million) and has committed further funding of £63.7 million to the vehicle. The terms and conditions of the transaction were no more favourable than those available, or which might be expected to be available on similar transactions to non-related entities on an arm's length basis.		
Transactions with associates		
Amounts due from associates and its subsidiaries	**278 764**	**8 401**
Interest income from loans to associates	**5 463**	**1 024**
Fees and commission income from associates	**–**	**262**

The above outstanding balances arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Adjusted shareholders' equity
Refer to calculation on page 53 in volume one

Cost to income ratio
Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Dividend cover
Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Effective operational tax rate
Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

Market capitalisation
Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

Net tangible asset value per share
Refer to calculation on page 51

Non-operating items
Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit
Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Recurring income
Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity
Refer to calculation on page 53

Return on average adjusted tangible shareholders' equity
Refer to calculation on page 53

Return on risk-weighted assets
Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets
Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling)

Staff compensation to operating income ratio
All employee-related costs expressed as a percentage of operating income

Third party assets under management
Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

Total capital resources
Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity
Total shareholders' equity including non-controlling interests

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