Annual Report

2017

Investec strategic report incorporating governance, corporate responsibility and the remuneration report

Volume 1

Out of the Ordinary®

Investec

The 2017 integrated annual report covers the period 1 April 2016 to 31 March 2017 and provides an overview of the Investec group. 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

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Volume 1

STRATEGIC REPORT INCORPORATING GOVERNANCE, CORPORATE RESPONSIBILITY AND REMUNERATION REPORT

2

Volume 2

RISK AND BASEL PILLAR III DISCLOSURES

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Volume 3

ANNUAL FINANCIAL STATEMENTS

Ongoing and statutory information

Statutory information is set out in volume three. 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 in volume one of our integrated annual report. 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 in the 2015 financial year, 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 83).

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 71. All information in our integrated annual report comprising volumes one, two and three are 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

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Overview of the year

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%

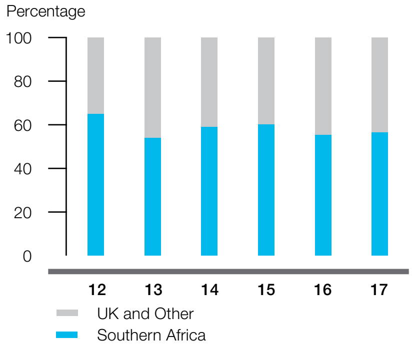
Recurring income as a % of total operating income

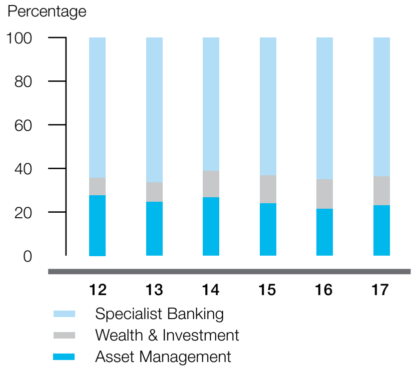
2017	2016
0.29%	0.26%

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)*

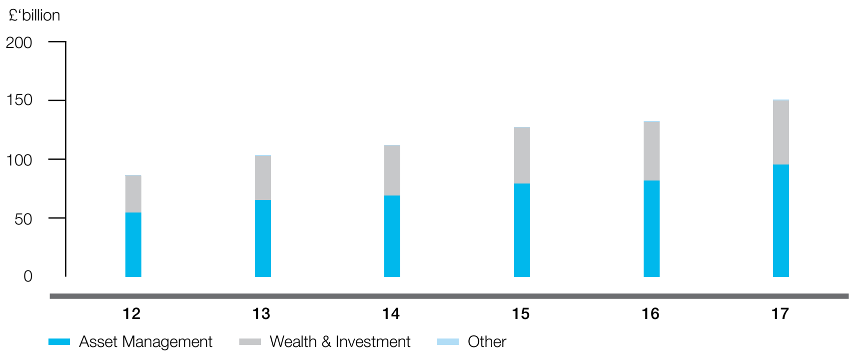




We continued to grow our key earnings drivers...

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

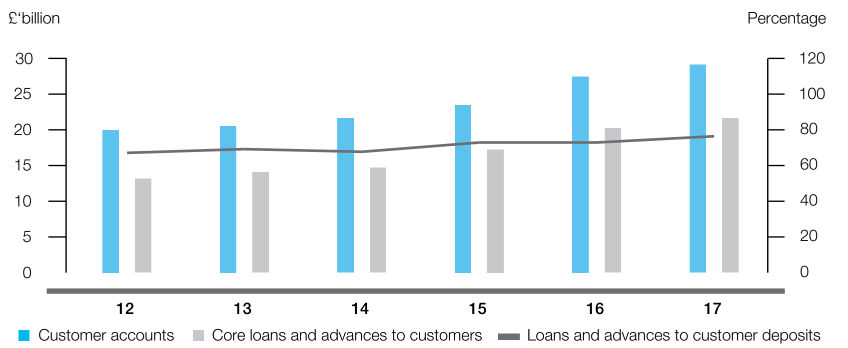
Funds under management**



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**



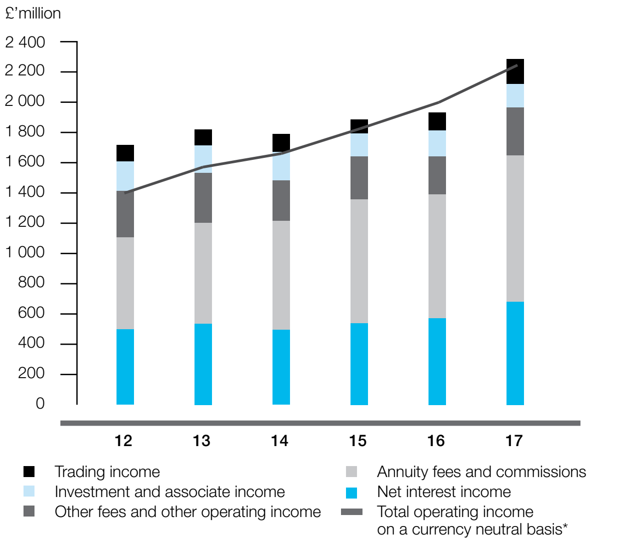
* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *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...

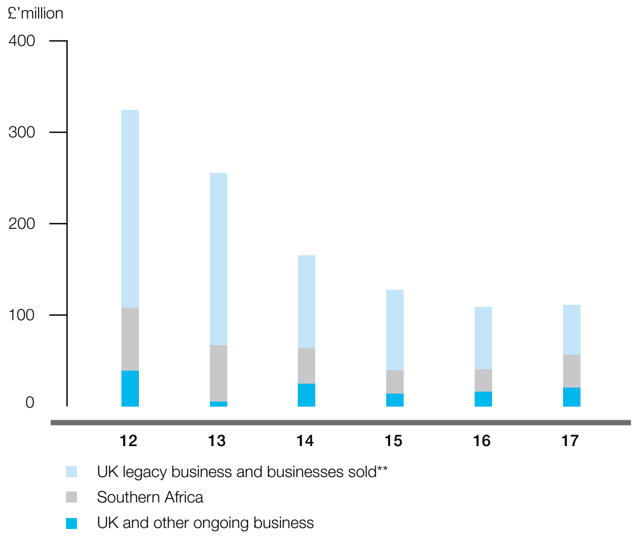
Total operating income ongoing business



* *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

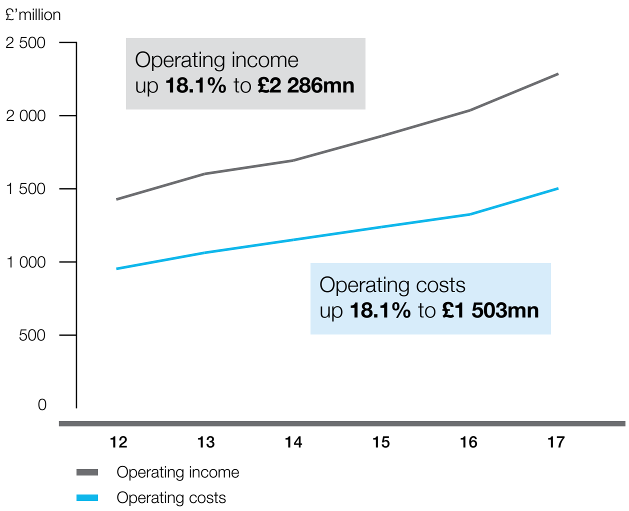


** *Refers to the remaining UK legacy business and group assets that were sold in the 2015 financial year.*

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

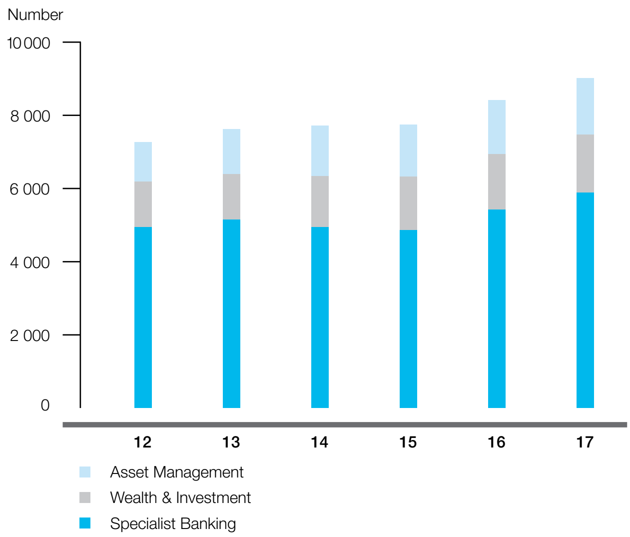
Operating costs increased reflecting: planned spend on IT infrastructure and headcount across divisions to support increased activity levels and growth initiatives (notably the build out of the UK private client offering); additional UK premises expenses; an increase in variable remuneration given improved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

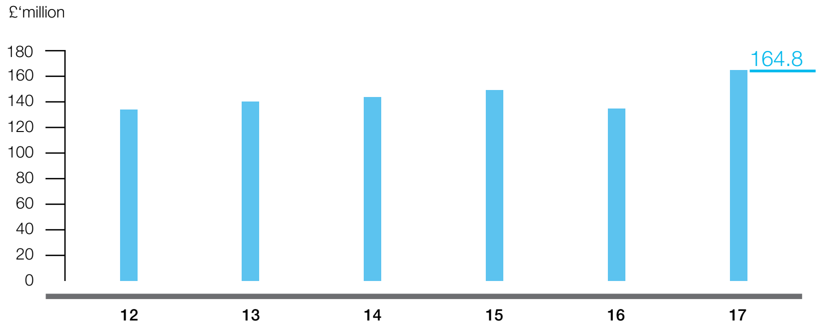
Headcount^^



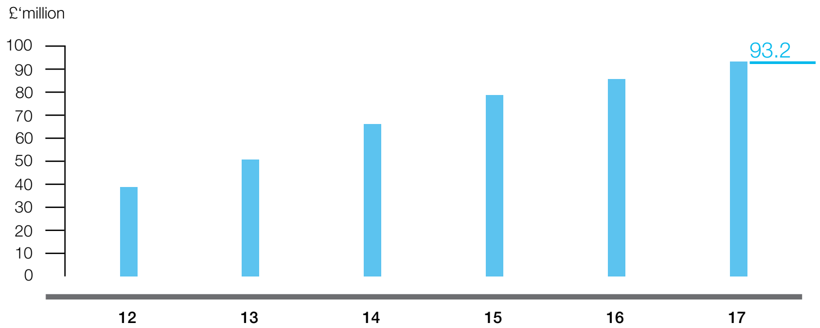
^^ *Permanent headcount and includes acquisitions.*

Resulting in a solid performance from our ongoing business...

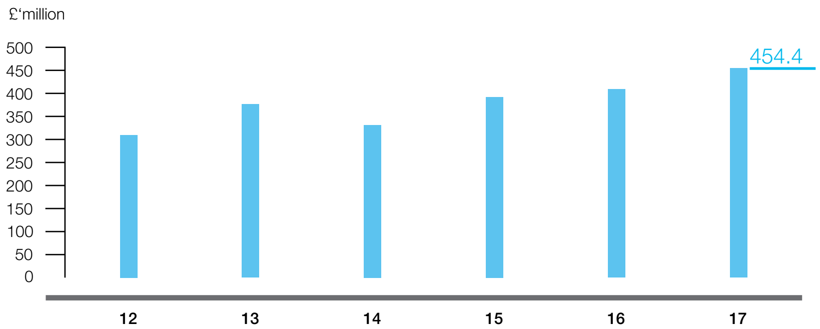
Operating profit* – Asset Management



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.*

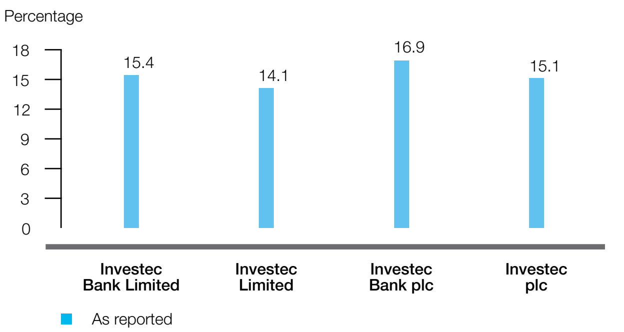
^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Maintained a sound balance sheet…

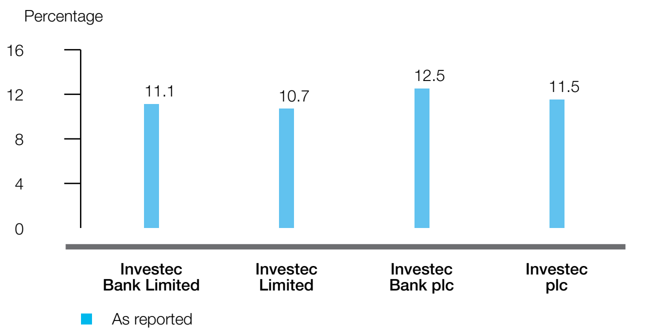
Target

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

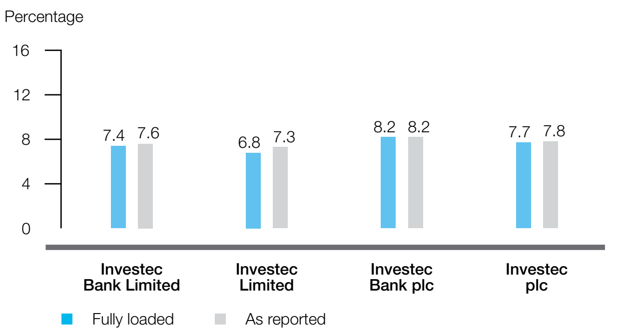
Capital adequacy



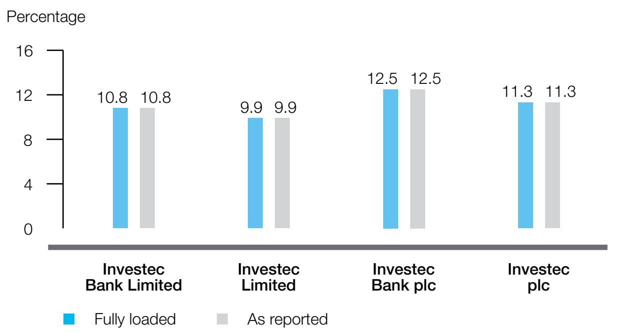
Tier 1



Leverage ratios



Common equity tier 1



Note: Refer to page 227 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.

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**

Our strategic focus

(continued)

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

Private client businesses

Corporate

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

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

Corporate bankers | 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

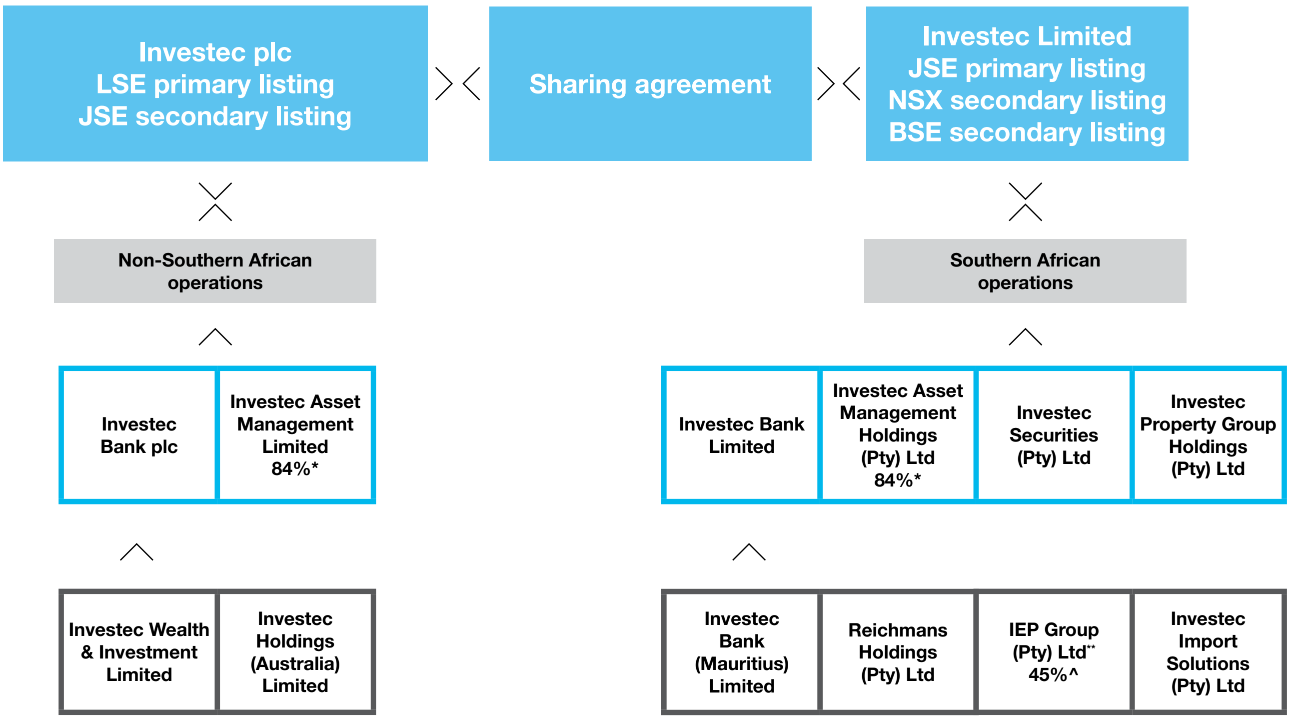
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

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.

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

Investec in total

Operating profit*
£599.1mn

Assets
£53 535mn

NAV**
£3 426mn

Permanent employees
9 029

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

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.

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*	**56.5%**	Permanent employees
65.2%	Assets		
55.3%	NAV**		

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*
43.5%	Permanent employees
34.8%	Assets
44.7%	NAV**

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 62.*
^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on pages 64 and 65.*

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 62.*
^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 66.*
^^ *Including legacy assets of £0.5 billion as explained on page 83.*
° *Contributions are larger than 100% due to group costs amounting to £48.8 million which are included in operating profit.*
Refer to page 69 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
Chairman

Stephen Koseff
Chief executive officer

Bernard Kantor
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. It should be read together with the sections that follow on pages 26 to 226 as well as volume two of our integrated annual report, which elaborate on the aspects highlighted in this review.

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 83).

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 71.

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 227.*
^^ *The group's expected Basel III 'fully loaded' numbers are provided on page 85 in volume two.*
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.*

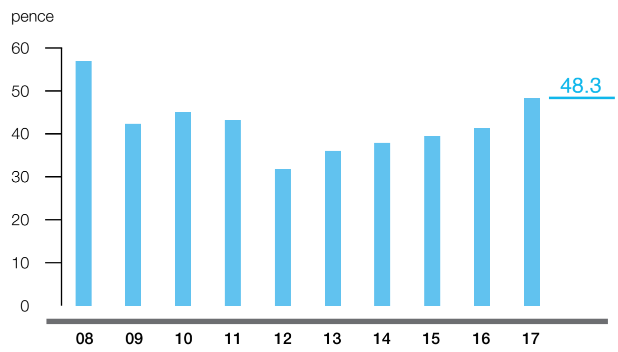
	2015	2014	2013	2012	2011	2010	2009	2008
	493 157	450 676	426 278	358 625	434 406	432 258	396 766	508 717
	70.8%	66.0%	67.5%	80.7%	69.1%	67.2%	74.0%	66.7%
	29.2%	34.0%	32.5%	19.3%	30.9%	32.8%	26.0%	33.3%
	339 532	326 923	309 310	257 579	327 897	309 710	269 215	344 695
	308 770	291 561	265 227	217 253	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

Track record

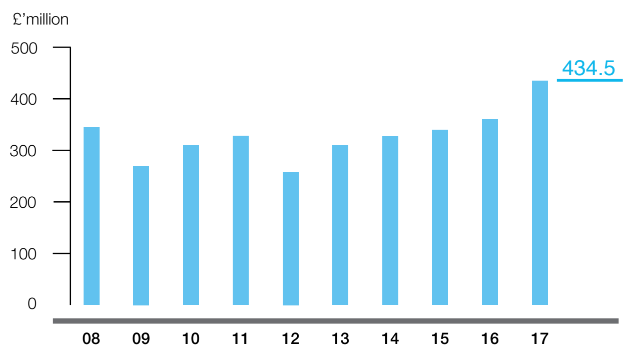
Up 16.9% to 48.3 pence

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



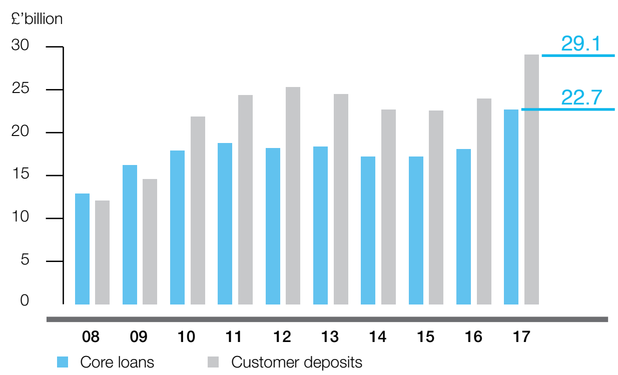
Core loans: up 25.3% to £22.7 billion since 31 March 2016 – an increase of 7.6% on a currency neutral basis*

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

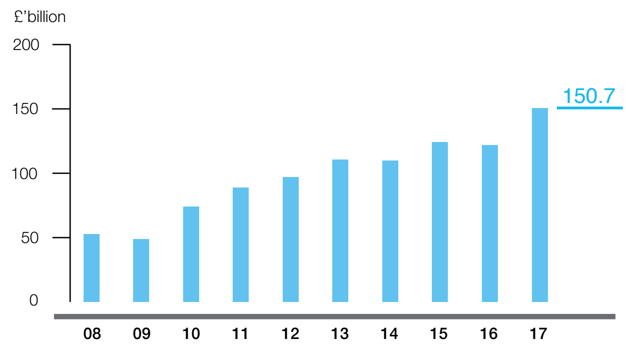
Up 23.9% to £150.7 billion since 31 March 2016 – an increase of 14.8% on a currency neutral basis*

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:

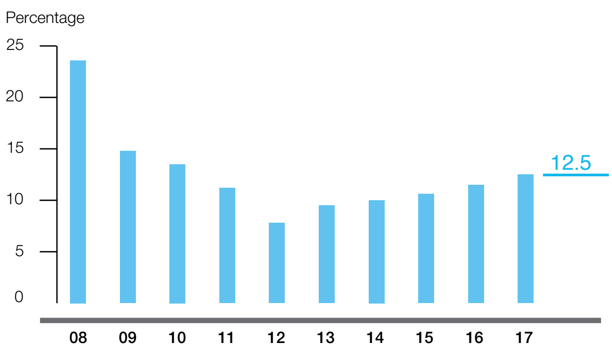
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

Target

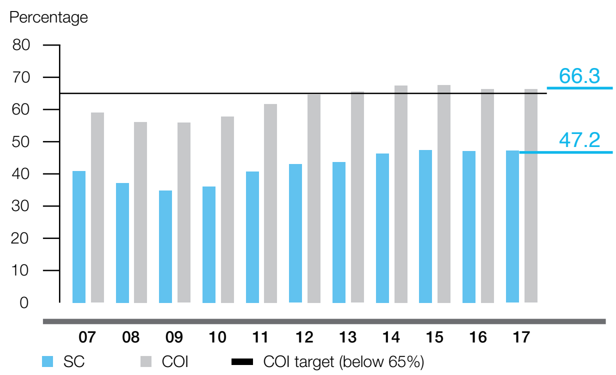
We have set the following target over the medium to long term:

Group COI ratio: less than 65% in Pounds Sterling

ROE*



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



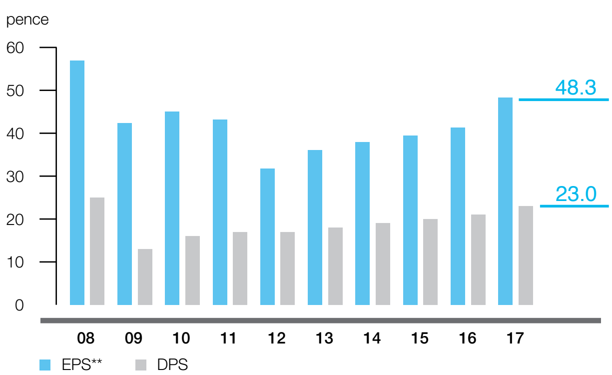
Target

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

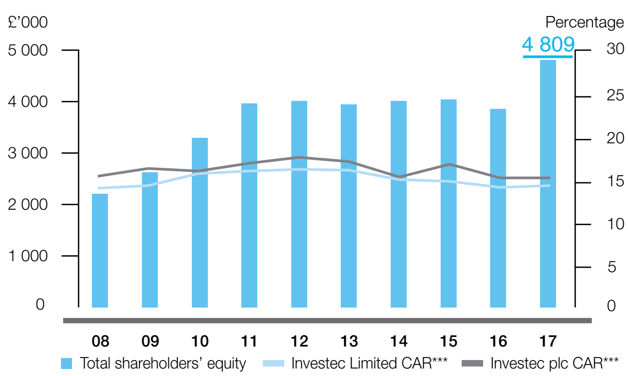
Target

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 64.*
** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 227.*
*** *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.

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.

United Kingdom

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

United States

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.

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.

Key income drivers

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

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

Asset Management

Key income drivers

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

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

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

Wealth & Investment

Key income drivers

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

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

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

Specialist Banking

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

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 volumes one and two of the 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, see the references provided. 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 11 in volume two. 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.

Principal risks	Key mitigating actions	Further information provided
Credit and counterparty risk		
Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the group.	• Independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. • There is a high level of executive involvement and non-executive review and oversight in the credit decision-making forums. • 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. • Investec has a limited appetite for unsecured debt, thus the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. • Portfolio reviews (including stress testing analyses) are undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.	Pages 16 to 47 in volume two.

Principal risks	Key mitigating actions	Further information provided
Country risk		
Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure, i.e. the risk of exposure to loss caused by events in other countries. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments.	• Exposures are only to politically stable jurisdictions that we understand and have preferably operated in before. • There is little appetite for exposures outside of the group's pre-existing core geographies or target markets. • The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance. • In certain cases, we may make use of political risk insurance to mitigate exposure where deemed necessary.	Page 17 in volume two.
Investment risk		
Investment risk in the banking book arises primarily from the group's principal investments (private equity) and property investment activities, where the group invests in largely unlisted companies and select property investments, with risk taken directly on the group's balance sheet.	• Independent credit and investment committees exist in each geography where we assume investment risk. • Risk appetite limits and targets are set to limit our exposure to equity and investment risk. • As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.	Pages 48 to 54 in volume two.

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Principal risks	Key mitigating actions	Further information provided
Market risk in the trading book		
Traded market risk is the risk that the value of a portfolio of instruments changes as a result of changes in underlying market risk factors such as interest rates, equity prices, commodity prices, exchange rates and volatilities.	• To manage, measure and mitigate market risk, we have independent market risk management teams in our core geographies where we assume market risk. • The focus of our trading activities is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution. • Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions resulting from market-making, underwriting, investments and limited proprietary trading in the foreign exchange, capital and money markets. The focus of these businesses is primarily on supporting client activity. • Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected shortfall (ES) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.	Pages 55 to 60 in volume two.
Liquidity risk		
Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events.	• Each geographic entity must be self-sufficient from a funding and liquidity standpoint. • Our banking entities in South Africa and the UK are ring-fenced from one another and are required to meet the regulatory liquidity requirements in the jurisdictions in which they operate. • We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. • The maintenance of sustainable prudent liquidity resources takes precedence over profitability. • We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. • Stable customer deposits must fully fund our core loan book, with little reliance therefore placed on wholesale funding. • The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. • Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruption. • Daily liquidity stress tests are carried out.	Pages 62 to 71 in volume two.

Principal risks	Key mitigating actions	Further information provided
Capital risk		
The risk that we do not have sufficient capital to meet regulatory requirements or that capital is inefficiently deployed across the group.	• Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. • The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group. • At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns. • Our internal capital framework is designed to manage and achieve this balance. • The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.	Pages 81 to 96 in volume two.
Non-trading interest rate risk		
Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact of adverse movements in interest rates on both net interest-earnings and economic value of equity of adverse movements in interest rates. Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services.	• The daily management of interest rate risk in the banking book is centralised within the Central Treasury function of each geographic entity and is subject to local independent risk and Asset and Liability committee (ALCO) review. • Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and the ALCO. • Each geographic entity has its own board approved non-trading interest rate risk policy and risk appetite, which dictates that long-term (>1 year) non-trading interest rate risk is materially eliminated. Where natural hedges between banking book items do not suffice to reduce the exposure within defined limits, interest rate swaps are used to transform fixed rate assets and liabilities into variable rate items. • Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors.	Pages 71 to 74 in volume two.

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Principal risks	Key mitigating actions	Further information provided
Operational risk		
Operational risk is defined as the potential or actual impact to the group as a result of failures relating to internal processes, people, systems or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences. Operational risk includes key aspects such as: cybersecurity; information security; financial crime; technology; outsourcing and process failure; business continuity; Regulatory and compliance.	• An independent Group Operational Risk Management function ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the group. • Business unit management, supported by operational risk managers who operate at a business unit level, are responsible for embedding and implementing operational risk practices and policies. • All personnel are adequately skilled at both a business unit and a group level.	Pages 75 to 79 in volume two.
Reputational and strategic risk		
Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made by the board and also arises as a result of other risks manifesting and not being mitigated.	• We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. • Strategic and reputational risk is mitigated as much as possible through detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders. • A disclosure and public communications policy has been approved by the board.	Pages 79 to 80 in volume two.

Principal risks	Key mitigating actions	Further information provided
Conduct risk		
Conduct risk means the risk that detriment is caused to the group, its customers, its counterparties or the market, as a result of inappropriate execution of business activities.	• Investec's approach to conduct risk is driven by our values and philosophies, ensuring that Investec operates in the wholesale arena and markets with integrity and puts the well-being of Investec clients at the heart of how the business is run. • Investec ensures that its products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action. • Investec's conduct risk policy aims to create an environment for consumer protection and market integrity within the business, supported with the right conduct risk management framework. • Customer and market conduct committees exist in South Africa and the UK, with the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.	Pages 80 to 81 in volume two.
Compliance, governance and regulatory risk		
The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate can have a significant impact on the group's operations, business prospects, costs, liquidity and capital requirements.	• Investec remains focused on complying with the highest levels of compliance to professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do. • We have independent compliance functions in each of our core operating jurisdictions, which ensure that the group implements the required processes, practices and policies to adhere to applicable regulations and legislation. • A global compliance forum exists which establishes and standardises group standards where applicable.	Pages 101 to 102 in volume two.

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Principal risks	Key mitigating actions	Further information provided
Legal risk		
Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties.	• A legal risk forum is constituted in each significant legal entity within the group to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice. • We have a central independent in-house legal team with embedded business units' legal officers where business volumes or needs dictate. • This is supplemented by a pre-approved panel of third party firms to be utilised where necessary.	Page 80 in volume two.
Business risk		
Business risk means the risk that external market factors create income volatility.	• The risk of loss caused by income volatility is mitigated through diversification of income sources, reducing concentration of income from any one type of business or geography and maintaining a flexible cost base. • Group strategy is directed towards generating and sustaining a diversified income base for the group. • In the instance where income falls we retain the flexibility to reduce costs (particularly variable remuneration), thereby maintaining a competitive cost to income ratio.	Pages 32 to 37 in volume two.
Environmental, social and economic risk		
The risk that our lending and investment activities give rise to unintended environmental, social and economic consequences.	• Investec has a broad-based approach to corporate responsibility, which runs beyond recognising our own footprint on the environment and includes our many corporate social investment activities and our funding and investing activities. • This is not merely for business reasons but also our recognition of a broader responsibility to our environment and society. • Accordingly, corporate responsibility risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. • There is also oversight by the social and ethics committee on social and environmental issues, including climate-related impact considerations.	Pages 156 to 183 in our corporate responsibility report.
People risk		
The risk that we may be unable to recruit, retain and motivate key personnel.	• We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance. • We invest significantly in a number of opportunities for developing and upskilling employees, and in leadership programmes to develop current and future leaders of the group. • Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD), which serve to supplement the ongoing people focus of our individual business units. • The Investec careers and HR teams are mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.	Pages 160 to 166 in our corporate responsibility report.

Emerging and other risks

In addition to the principal risks outlined above, the risks below may have the potential to impact and/or influence our principal risks and consequently the operations, financial performance, viability and prospects of the group. A number of these risks are beyond the group's control and are considered in our capital plans, stress testing analyses and budget processes, where applicable. These emerging risks are briefly highlighted below and should be read in the context of our approach to risk management and our overall group risk appetite framework (refer to volume two of the integrated annual report).

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.

- **Macro-economic and geopolitical risks:** The group is subject to inherent risks arising from general macro-economic and geopolitical conditions in the countries in which it operates, including in particular the UK and South Africa, as well as global economic and geopolitical conditions.

A macro-economic overview is provided on pages 32 to 37, and the impact of changes in the external environment during our financial year is discussed in the respective divisional sections on pages 92, 98, 99, 109 and 110.

- **Fluctuations in exchange rates could have an adverse impact on the group's results of operations:** The group's 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 individual companies are reported in the local currencies of the countries in which they are domiciled, including Rand, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in the group's financial statements. 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. Exchange rates between local currencies and Pounds Sterling have fluctuated significantly during recent periods.

Further information is provided on page 26.

- **The group's borrowing costs and its access to debt capital markets depend significantly on its credit ratings**: Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry. A reduction in the group's respective banking entities long- or short-term credit ratings could increase their borrowing costs, limit their access to capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements.

Following downgrades to the South African Sovereign credit rating in April 2017, the foreign currency credit ratings of Investec Limited and Investec Bank Limited were downgraded, as no banking entity can typically have a foreign currency rating higher than the Sovereign rating of the country in which it operates. Further information is provided on page 7 in volume two.

- **The group may be exposed to pension risk in relation to its UK operations:** Pension risk arises from obligations arising from defined benefit pension schemes where the group is required to fund any deficit in the schemes. There are two defined benefit pension schemes within the group and both are closed to new business.

Refer to page 80 in volume two for further information.

- **The financial services industry in which the group operates is intensely competitive:** The financial services industry is competitive and the group faces substantial competition in all aspects of its business. The group has developed leading positions in many of its core areas of activity, but does not take competition lightly, and our strategic objectives continue to focus on building business depth; providing the best integrated solution to our clients; and leveraging our digitisation strategy in order to remain competitive.

Refer to pages 14 to 16 for further information.

- **Impairment requirements:** The introduction of the impairment requirements of IFRS 9 Financial Instruments, due to be implemented by the group on 1 April 2018, will shift impairment methodology from an incurred loss to an expected loss methodology which could impact the level and timing of impairment losses. Impairment measurement will involve increased complexity and significant judgements on areas such as the estimation of probabilities of default, loss given default, unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing whether a significant increase in credit risk has occurred. The regulatory capital impact of IFRS 9 is dependent on the regulatory capital treatment of potential increased reserves which is the subject of ongoing discussion with regulators and across the industry, but there is potential for adverse impact on regulatory capital ratios.

The group has established an IFRS 9 steering committee comprising of executive representation and key management from Risk, Finance, Analytics and IT. The group continues to assess the impact of this standard, but expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged on application of IFRS 9.

Credit risk methodologies have been defined and model build and approval is underway and nearing completion. Investec intends to perform a parallel run during 2017; models and credit risk processes will be tested during this period to embed the changes and help improve the understanding of the new impairment models.

The group will incorporate IFRS 9 requirements into our group credit risk classification and provisioning policy.

It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced. The group intends to disclose this in the 2018 annual financial statements.

Further information is provided on pages 37 to 38 in volume three.

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Emerging risks which attracted particular attention during the year, and which are included in our stress tests include:

- **The UK's exit from the European Union:** On 23 June 2016 the UK voted to leave the European Union (EU) and the formal exit process commenced on 29 March 2017 when the UK triggered Article 50. Although negotiations between the UK and the EU have yet to formally commence, the group faces certain risks associated with the UK's decision to exit the EU.

  For example, because a significant proportion of the regulatory regime applicable to the group in the UK and anticipated regulatory reform is derived from EU directives and regulations, the UK's exit from the EU could materially change the legal framework applicable to the group's UK operations, including in relation to its regulatory capital requirements. In addition, the UK's exit from the EU could result in restrictions on the movement of capital and the mobility of personnel.

  Furthermore, the UK's vote in favour of leaving the EU may alter the legal framework applicable to the group's European operations, including in relation to our current branch structure in Ireland and our ability to provide certain services from London to European clients.

  We have established a Brexit working group to monitor the Brexit negotiations, continuously evaluate the impact of the proposals on our business; and ultimately propose a revised operating model for servicing European clients once the UK leaves the EU.

- **The geopolitical events that unfolded in April 2017 in South Africa and the potential for further Sovereign rating downgrades for South Africa:** The unexpected 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.

  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 remain to limit the productivity needed for sustained, fast economic growth domestically.

  The group does run a number of stress scenarios which consider the impact of further Sovereign rating downgrades on our business.

Further information is provided on page 32.

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.

Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 86 to 110.

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%**

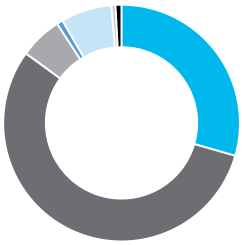
The following table sets out information on total operating income before impairment losses on loans and advances by geography for the year under review.

£'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.

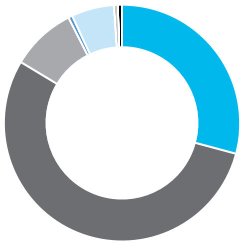
£'000	31 March 2017	% of total income	31 March 2016	% of total income	% change
Asset Management	497 990	21.8%	421 615	21.7%	18.1%
Wealth & Investment	360 569	15.8%	324 500	16.7%	11.1%
Specialist Banking	1 427 655	62.4%	1 193 381	61.6%	19.6%
Total operating income before impairments	**2 286 214**	**100.0%**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

% 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 87 in volume three). 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.

£'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)

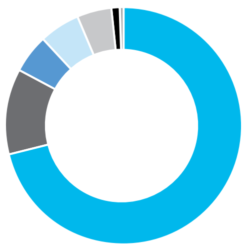
The following table sets out certain information on total operating costs by geography for the year under review.

£'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.

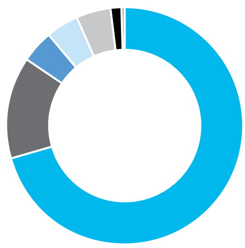
£'000	31 March 2017	% of total operating costs	31 March 2016	% of total operating costs	% change
Asset Management	(333 166)	22.0%	(286 832)	22.2%	16.2%
Wealth & Investment	(267 326)	17.6%	(238 765)	18.5%	12.0%
Specialist Banking	(866 132)	57.2%	(717 784)	55.7%	20.7%
Group costs	(48 776)	3.2%	(45 805)	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 pages 73 and 103.*

Includes UK, other non-Southern African jurisdictions and the legacy businesses.

Refer to page 107 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 59 to 61 in volume three.

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.

Further information is provided on pages 81 to 96 in volume two.

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 80.

* *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 83.*

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 83.*

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

Number of employees

By division – permanent employees	31 March 2017	31 March 2016
Asset Management		
UK and international	478	473
Southern Africa^	1072	992
Total	**1 550**	**1 465**
Wealth & Investment		
UK and Other	1279	1 218
South Africa	321	314
Total	**1 600**	**1 532**
Specialist Banking		
UK and Other	2 169	2 010
Southern Africa	3710	3 414
Total	**5 879**	**5 424**
Total number of permanent employees	**9 029**	**8 421**

^ *Includes Silica employees, its third party administration business.*

By geography	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
UK and Other	3 926	3 701	3 560	3 671	3 827	3 625
SA and Other	5 103	4 720	4 199	3 986	3 748	3 661
Temporary employees and contractors	687	545	495	601	576	495
Total number of employees	**9 716**	**8 966**	**8 254**	**8 258**	**8 151**	**7 781**

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**

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**

^ *Refer to pages 47 and 49 in volume three.*

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%**

Ongoing segmental geographic analysis – summarised income statement

For the year to £'000	31 March 2017 UK and Other	31 March 2017 Southern Africa	31 March 2017 Total	31 March 2016 UK and Other	31 March 2016 Southern Africa	31 March 2016 Total
Net interest income	289 824	390 715	680 539	259 105	312 824	571 929
Net fee and commission income	803 930	467 661	1 271 591	706 473	351 867	1 058 340
Investment income	59 403	76 228	135 631	61 627	108 288	169 915
Share of post-taxation operating profit of associates	2 349	16 541	18 890	2 321	(510)	1 811
Trading income arising from						
– customer flow	129 712	28 294	158 006	93 333	17 546	110 879
– balance sheet management and other trading activities	8 531	(453)	8 078	(7 743)	19 360	11 617
Other operating income	12 870	288	13 158	8 532	1 747	10 279
Total operating income before impairment losses on loans and advances	**1 306 619**	**979 274**	**2 285 893**	**1 123 648**	**811 122**	**1 934 770**
Impairment losses on loans and advances	(20 651)	(36 498)	(57 149)	(16 069)	(25 299)	(41 368)
Operating income	**1 285 968**	**942 776**	**2 228 744**	**1 107 579**	**785 823**	**1 893 402**
Operating costs	(994 522)	(508 101)	(1 502 623)	(848 735)	(423 373)	(1 272 108)
Depreciation on operating leased assets	(2 141)	(28)	(2 169)	(2 149)	(16)	(2 165)
Operating profit before goodwill, acquired intangibles and non-operating items	**289 305**	**434 647**	**723 952**	**256 695**	**362 434**	**619 129**
(Profit)/loss attributable to other non-controlling interests	180	(60 419)	(60 239)	4 503	(39 704)	(35 201)
Operating profit before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	**289 485**	**374 228**	**663 713**	**261 198**	**322 730**	**583 928**
Profit attributable to Asset Management non-controlling interests	(11 807)	(8 484)	(20 291)	(10 263)	(6 266)	(16 529)
Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests	**277 678**	**365 744**	**643 422**	**250 935**	**316 464**	**567 399**
Cost to income ratio	76.2%	51.9%	65.8%	75.7%	52.2%	65.8%

Ongoing segmental business and geographic analysis – summarised income statement

For the year to 31 March 2017 £'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
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-taxation 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/(loss)	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, acquired intangibles and non-operating items	**91 262**	**73 562**	**164 824**	**65 190**	**28 053**	**93 243**
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items 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, non-operating items and after non-controlling interests	**79 455**	**65 078**	**144 533**	**65 190**	**28 053**	**93 243**
Cost to income ratio	71.2%	59.4%	66.9%	76.5%	66.5%	74.1%

Specialist Banking			Group costs			
UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
285 345	378 108	663 453	–	–	–	680 539
227 999	215 012	443 011	–	–	–	1 271 591
57 234	75 985	133 219	–	–	–	135 631
840	16 541	17 381	–	–	–	18 890
128 972	28 006	156 978	–	–	–	158 006
5 095	683	5 778	–	–	–	8 078
7 558	(44)	7 514	–	–	–	13 158
713 043	**714 291**	**1 427 334**	**–**	**–**	**–**	**2 285 893**
(20 651)	(36 498)	(57 149)	–	–	–	(57 149)
692 392	**677 793**	**1 370 185**	**–**	**–**	**–**	**2 228 744**
(521 235)	(332 120)	(853 355)	(36 163)	(12 613)	(48 776)	(1 502 623)
(2 141)	(28)	(2 169)	–	–	–	(2 169)
169 016	**345 645**	**514 661**	**(36 163)**	**(12 613)**	**(48 776)**	**723 952**
180	(60 419)	(60 239)	–	–	–	(60 239)
169 196	**285 226**	**454 422**	**(36 163)**	**(12 613)**	**(48 776)**	**663 713**
–	–	–	–	–	–	(20 291)
169 196	**285 226**	**454 422**	**(36 163)**	**(12 613)**	**(48 776)**	**643 422**
73.3%	46.5%	59.9%	n/a	n/a	n/a	65.8%

Ongoing segmental business and geographic analysis – summarised income statement

For the year to 31 March 2016 £'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
Net interest income	290	3 614	3 904	4 064	3 266	7 330
Net fee and commission income	275 252	140 276	415 528	244 993	64 087	309 080
Investment income	–	44	44	5 817	255	6 072
Share of post-taxation operating profit of associates	–	–	–	1 191	–	1 191
Trading income arising from						
– customer flow	–	–	–	333	(17)	316
– balance sheet management and other trading activities	1 656	12	1 668	236	273	509
Other operating (loss)/income	(1 135)	1 606	471	–	2	2
Total operating income before impairment losses on loans and advances	**276 063**	**145 552**	**421 615**	**256 634**	**67 866**	**324 500**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**276 063**	**145 552**	**421 615**	**256 634**	**67 866**	**324 500**
Operating costs	(199 210)	(87 622)	(286 832)	(193 507)	(45 258)	(238 765)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**76 853**	**57 930**	**134 783**	**63 127**	**22 608**	**85 735**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**76 853**	**57 930**	**134 783**	**63 127**	**22 608**	**85 735**
Profit attributable to Asset Management non-controlling interests	(10 263)	(6 266)	(16 529)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**66 590**	**51 664**	**118 254**	**63 127**	**22 608**	**85 735**
Cost to income ratio	72.2%	60.2%	68.0%	75.4%	66.7%	73.6%

	Specialist Banking			Group costs			
	UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
	254 751	305 944	560 695	–	–	–	571 929
	186 228	147 504	333 732	–	–	–	1 058 340
	55 810	107 989	163 799	–	–	–	169 915
	1 130	(510)	620	–	–	–	1 811
	93 000	17 563	110 563	–	–	–	110 879
	(9 635)	19 075	9 440	–	–	–	11 617
	9 667	139	9 806	–	–	–	10 279
	590 951	**597 704**	**1 188 655**	**–**	**–**	**–**	**1 934 770**
	(16 069)	(25 299)	(41 368)	–	–	–	(41 368)
	574 882	**572 405**	**1 147 287**	**–**	**–**	**–**	**1 893 402**
	(420 858)	(279 848)	(700 706)	(35 160)	(10 645)	(45 805)	(1 272 108)
	(2 149)	(16)	(2 165)	–	–	–	(2 165)
	151 875	**292 541**	**444 416**	**(35 160)**	**(10 645)**	**(45 805)**	**619 129**
	4 503	(39 704)	(35 201)	–	–	–	(35 201)
	156 378	**252 837**	**409 215**	**(35 160)**	**(10 645)**	**(45 805)**	**583 928**
	–	–	–	–	–	–	(16 529)
	156 378	**252 837**	**409 215**	**(35 160)**	**(10 645)**	**(45 805)**	**567 399**
	71.5%	46.8%	59.1%	n/a	n/a	n/a	65.8%

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.*

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%

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**

^ *Refer to page 35 in volume two.*

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

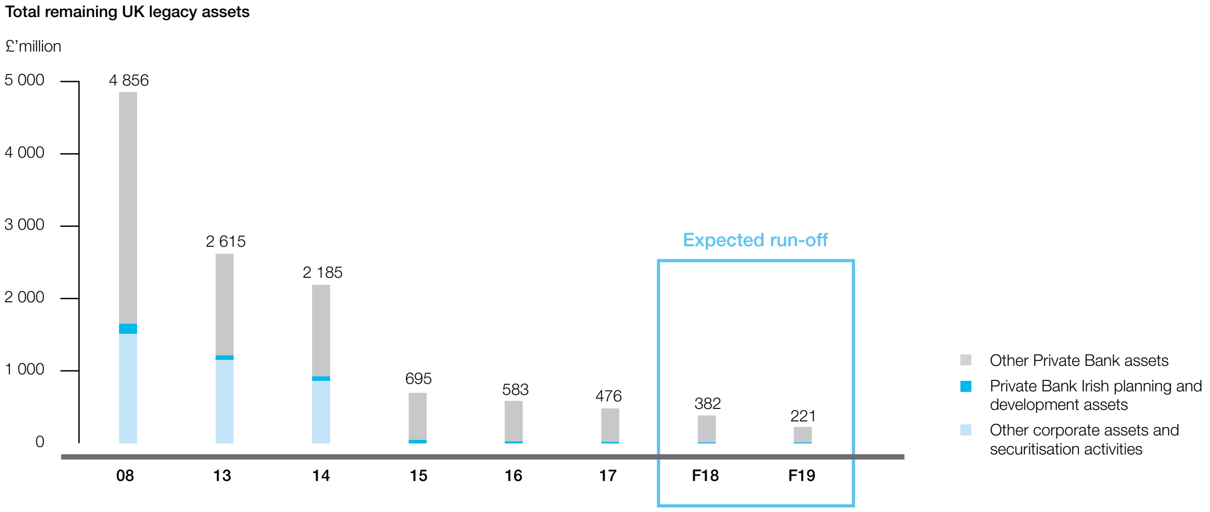
Since 31 March 2016 the group's legacy portfolio in the UK has continued to be actively managed down from £583 million to £476 million through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £64.6 million (2016: £78.3 million), with 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
- Global
- Regional
- Emerging

Fixed Income
- Developed
- Emerging
- Multi-strategy
- Absolute return

Multi-Asset
- Global/ Regional solutions
- Income solutions

Alternatives
- Commodities
- Private equity
- Real estate
- Infrastructure debt

Client groups

United Kingdom | Africa | Americas | Asia Pacific | Europe

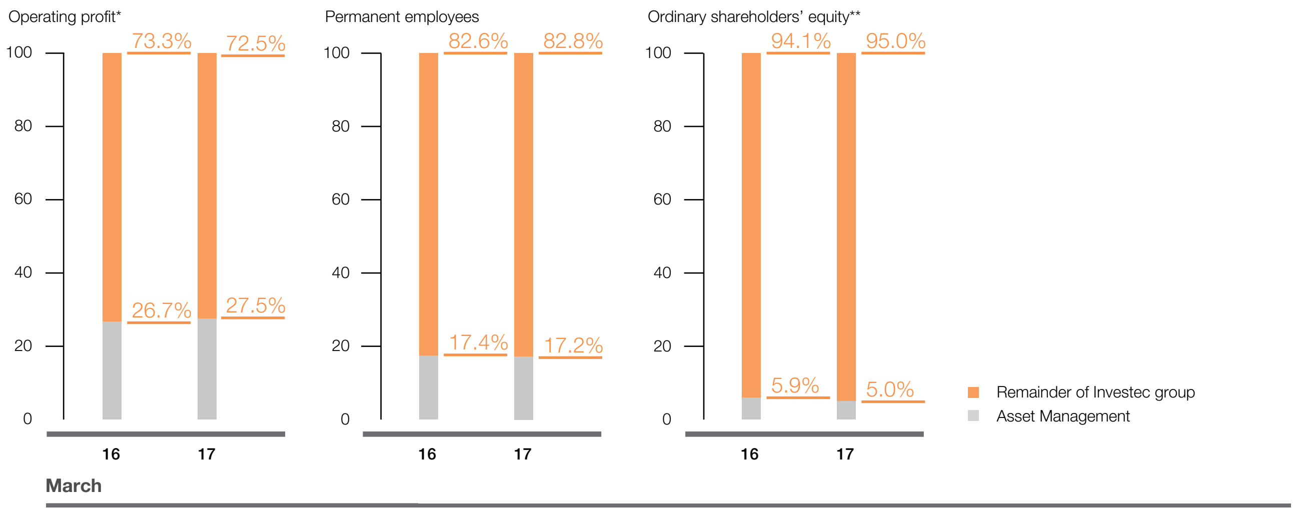
Global operations platform

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.

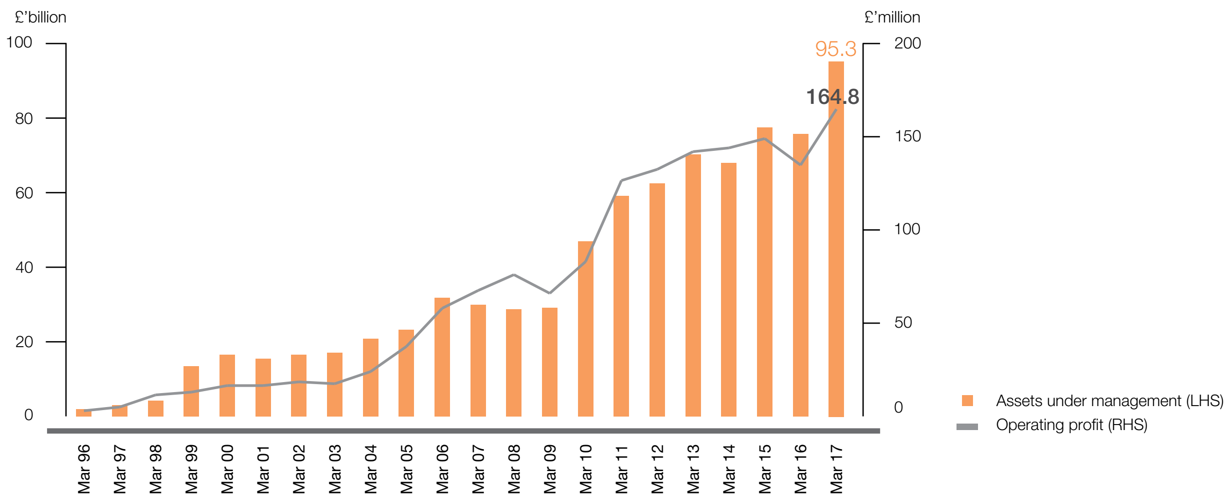
Financial analysis



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

** As calculated on page 66, based on regulatory capital requirements.

Historical financial performance



Income statement analysis

£'000	31 March 2017	31 March 2016	Variance	% change
Net interest income	5 118	3 904	1 214	31.1%
Net fee and commission income	484 872	415 528	69 344	16.7%
Investment income	143	44	99	>100.0%
Trading income arising from balance sheet management and other trading activities	2 213	1 668	545	32.7%
Other operating income	5 644	471	5 173	>100.0%
Total operating income	**497 990**	**421 615**	**76 375**	**18.1%**
Operating costs	(333 166)	(286 832)	(46 334)	16.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	**164 824**	**134 783**	**30 041**	**22.3%**
Profit attributable to Asset Management non-controlling interests**	(20 291)	(16 529)	(3 762)	22.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**144 533**	**118 254**	**26 279**	**22.2%**
UK and Other	79 455	66 590	12 865	19.3%
Southern Africa	65 078	51 664	13 414	26.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**144 533**	**118 254**	**26 279**	**22.2%**
Selected returns and key statistics				
Ordinary shareholders' equity*	186 423	171 629	14 794	8.6%
ROE (pre-tax)*	90.7%	79.1%		
Return on tangible equity (pre-tax)*	179.6%	173.1%		
Operating margin	33.1%	32.0%		
Operating profit per employee (£'000)*^	168.6	144.8	23.8	16.4%

* *As calculated on pages 66 and 68, based on regulatory capital requirements.*
** *Earnings after tax attributable to non-controlling interests includes the portion of earnings attributable to the 16% shareholding in the business by employees.*
^ *Operating profit per employee excludes Silica, our third party administration business.*

The variance in operating profit over the year can be explained as follows:

- Rising markets and a weaker Sterling increased our net fee and commission income in the period to £484.9 million.
- Performance fees increased over the period under review from £25.5 million in the prior period to £28.0 million.
- Against this backdrop, our operating profit before non-controlling interests increased by 22.3%, driven by increased income (as explained above) and tempered by operating cost increases, which were significantly impacted by currency fluctuations.

Assets under management and flows

£'million	AUM 31 March 2017	Net flows	AUM 31 March 2016
Equities	38 864	(1 574)	31 993
Fixed Income	27 100	(1 040)	21 485
Multi-Asset	18 940	1 236	14 620
Alternatives	3 479	504	2 525
Third party funds on advisory platform	6 904	302	5 056
Total	**95 286**	**(572)**	**75 679**

Assets under management by asset class

31 March 2017	
Equities	41%
Fixed Income	28%
Multi-asset	20%
Alternatives	4%
Third party funds on advisory platform	7%

31 March 2016	
Equities	42%
Fixed Income	28%
Multi-asset	20%
Alternatives	3%
Third party funds on advisory platform	7%

Note: The assets under management and flows exclude a historic low value cash plus account that is subject to volatile flows.

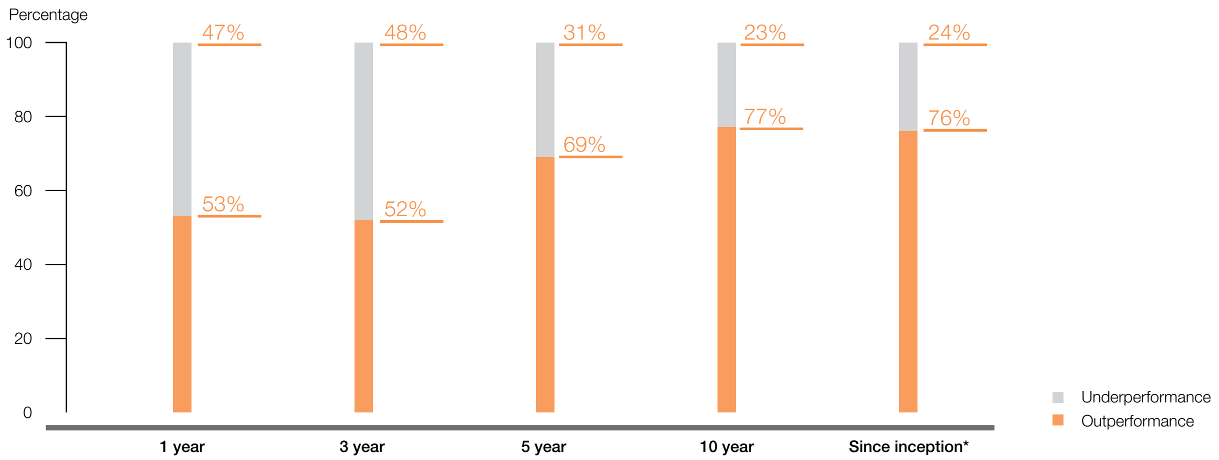
Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around agreed, well defined risk and return parameters.

We measure our investment performance relative to peer groups and against benchmarks over one, three, five and 10 year periods, and since inception.

Our long-term track record remains competitive.

Overall firm performance



* *For "since inception", performance is shown only for portfolios that are older than 12 months.*

Source: Calculated by Investec Asset Management, returns from StatPro, capability weighted. Performance to 31 March 2017.

Note: Outperformance/(underperformance) is calculated as the sum of the total market values for those portfolios that have positive active returns (negative active returns) on a gross basis expressed as a percentage of total assets under management. Our % of fund outperformance is reported on the basis of current AUM and therefore does not include terminated funds. Total assets under management exclude double-counting of pooled products and third party assets administered on our South African platform. Benchmarks used for the above analysis include cash, peer group averages, inflation and market indices as specified in client mandates or fund prospectuses. For all periods shown, market values are as at the period end date.

Mutual funds investment performance

One year

First quartile	**13%**
Second quartile	**35%**
Third quartile	**32%**
Fourth quartile	**20%**

Three year

First quartile	**29%**
Second quartile	**20%**
Third quartile	**37%**
Fourth quartile	**14%**

Five year

First quartile	**31%**
Second quartile	**29%**
Third quartile	**19%**
Fourth quartile	**21%**

Ten year

First quartile	**52%**
Second quartile	**30%**
Third quartile	**15%**
Fourth quartile	**3%**

Source: Calculated from Morningstar data by value, excludes cash and cash plus funds. Performance to 31 March 2017.
Note: All Investec Asset Management fund ranges relative to other funds in the same sector.

Independent recognition

- Raging Bull Award for Best South African General Equity Fund (Investec Value Fund) and Top Outright Performance over 21 years by a South African General Equity Fund (Investec Equity Fund)
- Winner of Funds Europe Award 2016 for European Asset Management Company (assets €20 billion – €100 billion)

Questions and answers

Hendrik du Toit

Chief executive officer

Q. How has the operating environment in which you have operated impacted your business over the last financial year?

During the past year, political and currency volatility featured regularly. In spite of the strong rally in equities, there was a marked slowdown in decision-making by institutional investors. In addition, the decision not to choose cheap beta has increasingly become an active decision for institutional asset owners. These circumstances have put pressure on the flows to active asset managers, including Investec Asset Management.

At this stage we are midway into the 'great re-regulation' of our industry. The consequence is the ever increasing resources devoted to meeting new regulatory standards.

On the positive side, Investec Asset Management benefited significantly from the resurgence of emerging markets towards the end of the reporting period.

Given this environment and the fact that we entered the financial year with weaker than desired performance in some of our larger offerings, we closed the year with net outflows of approximately £0.6 billion.

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

After a good start and a positive net flow number at half-year stage, the flow picture deteriorated in the second half of the year. We closed the financial year with net outflows of £0.6 billion, where £1.7 billion of net ouflows took place in the last six months of the financial year. The net ouflows were largely driven by the Asia Pacific and Americas regions, as a result of client restructurings and rebalancing, rather than performance complaints. We are pleased to report that our African business has continued its resurgence as evidenced by net inflows of £1.4 billion for the year.

Our short-term investment performance in some of our larger capabilities was challenged over the period under review. However, we are beginning to see a turnaround here.

We have also broadened our offering over the past year following substantial investments into our credit and Multi-Asset teams. As we go into the 2018 financial year, we offer a strong and well-tested global equities platform, a rapidly developing Multi-Asset capability, a resurgent emerging markets debt capability and a growing credit skill set. This allows us to offer a competitive set of growth, income and Multi-Asset offerings to the market. We have also continued to grow and strengthen our private markets capabilities.

The challenges of an increasingly demanding client base, to which alpha over the cycle is a non-negotiable, product relevance and regulatory costs provided us with ample cause for thought about our long-term direction. After due consideration, we have concluded that our business remains well positioned for the future and that we need to focus on execution. We will be even more relentless in our focus on quality and excellence over the coming years as we pursue the same strategic objectives as we had before.

We will continue to invest in our people and nurture the owner culture that binds us together. Strategic clarity, quality execution and an ongoing commitment to our people underwrite the growth potential of our business over the long term.

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

Our fundamental strategic objectives and principles remain unchanged: we want to assist people around the globe to retire with dignity or meet their financial objectives. We aim to manage our clients' money to the highest possible standard and in line with their expectations and product and strategy specifications.

We remain a patient, organic and long-term business offering organically-developed investment capabilities through active segregated mandates or mutual funds to sophisticated clients. We operate globally in both the Institutional and Advisor space through five geographically defined client groups. We have an approach to growth that is driven by sensible medium to long-term client demand and competitive investment performance.

In the next twelve months, we are intent on continuing to grow our Advisor business globally, strengthening our position in North America and continuing to scale our Multi-Asset and Global Equity offerings. Furthermore, we will continue to invest in a limited number of long-term initiatives, including within our private markets offering.

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

Although there are many prevailing challenges for the industry including the global macro-economic environment, increased regulation, disruption from technology and evolving buying behaviour, the asset management industry is forecast to grow. It remains a fiercely competitive market which will become tougher to navigate and maintain margins. As we are seeing already, we expect to see some consolidation in the market in response to these challenges. We are unlikely to participate in this consolidation as we continue to see potential for ongoing organic growth.

We believe that we have created a sustainable, competitive, long-term business, over the past 26 years. We are organically building a long-term inter-generational business and as such concentrate less on short-term outcomes. We remain committed to being an active investment manager and believe that the opportunity for growth in our industry over the next five years is substantial.

The coming year will have its challenges. Markets may not be as supportive, currencies may not move as much in our favour as during this last year. We are nevertheless confident about our long-term future.

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

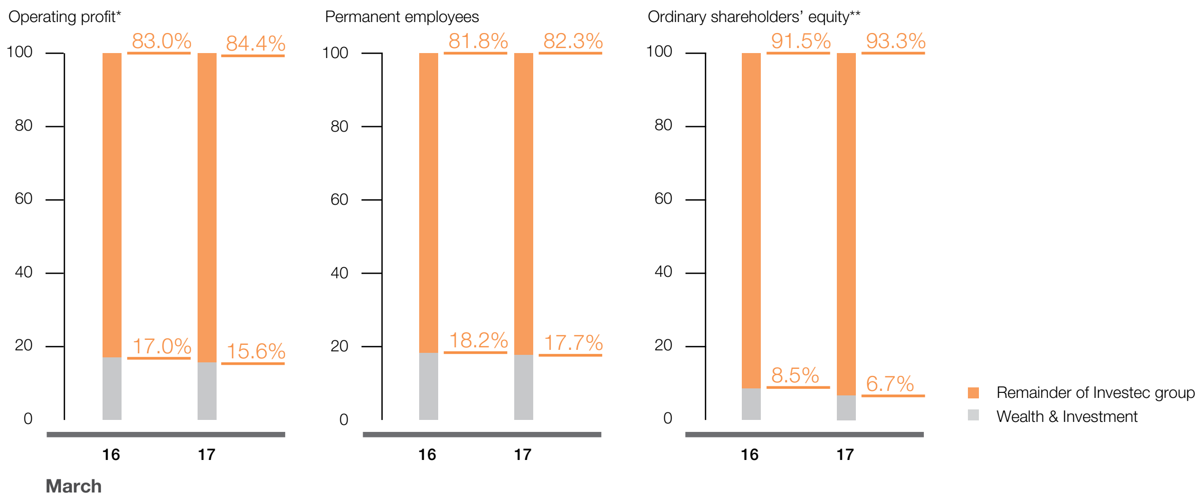
South Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

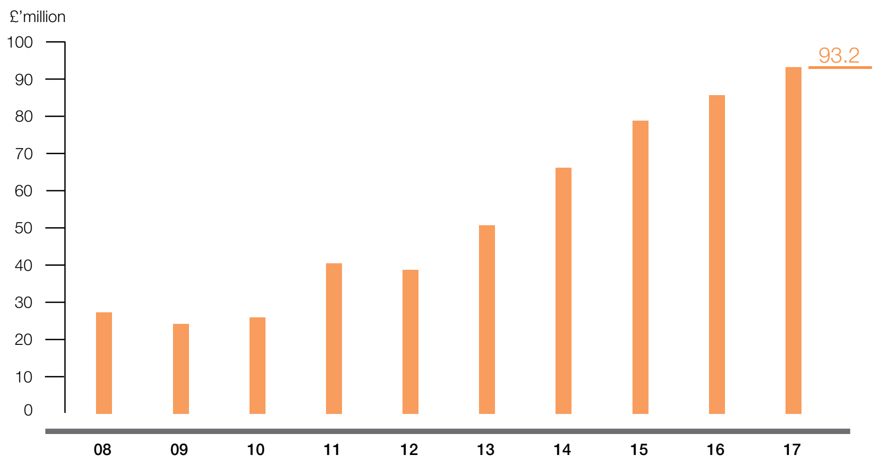
Developing Wealth & Investment capability in Mauritius

Financial analysis



* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.
** As calculated on page 66, based on regulatory capital requirements.

Operating profit^ — track record



^ Trend reflects numbers as at the year ended 31 March. Amounts are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

Income statement analysis

£'000	31 March 2017	31 March 2016	Variance	% change
Net interest income	11 968	7 330	4 638	63.3%
Net fee and commission income	343 708	309 080	34 628	11.2%
Investment income	2 269	6 072	(3 803)	(62.6%)
Share of post taxation operating profit of associates	1 509	1 193	318	26.7%
Trading income arising from				
– customer flow	1 028	316	712	>100.0%
– balance sheet management and other trading activities	87	509	(422)	(82.9%)
Total operating income	**360 569**	**324 500**	**36 069**	**11.1%**
Operating costs	(267 326)	(238 765)	(28 561)	12.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**93 243**	**85 735**	**7 508**	**8.8%**
UK and Other	65 190	63 127	2 063	3.3%
Southern Africa	28 053	22 608	5 445	24.1%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**93 243**	**85 735**	**7 508**	**8.8%**
Selected returns and key statistics				
Ordinary shareholders' equity*	251 523	246 302	5 221	2.1%
ROE (pre-tax)*	35.7%	30.7%		
Return on tangible equity (pre-tax)*	173.0%	187.9%		
Operating margin	25.9%	26.4%		
Operating profit per employee (£'000)*	56.6	54.8	1.8	3.3%

* *As calculated on pages 66 and 68, based on regulatory capital requirements.*

The variance in operating profit over the year can be explained as follows:

- The UK and Other business continued to generate good net inflows of funds under management, despite volatile equity markets. Operating income benefited from growth in average funds under management supported by a higher level of market indices at the key quarterly billing dates.
- The South African business posted an operating profit of R514 million, an increase of 10.5% (in Rand terms) over the prior year, benefiting from higher discretionary and annuity asset funds under management and net inflows.
- The business globally continued to invest in its digital platforms, IT infrastructure, compliance and settlements areas. Headcount increased by 4.4% from 31 March 2016 to 31 March 2017.

Analysis of key earnings drivers (funds under management)

£'million	31 March 2017	31 March 2016	% change
UK and Other	**35 555**	**29 769**	**19.4%**
Discretionary	26 336	21 747	21.1%
Non-discretionary and other	9 219	8 022	14.9%
South Africa	**19 218**	**15 690**	**22.5%**
Discretionary and annuity assets	6 552	4 945	32.5%
Non-discretionary and other	12 666	10 745	17.9%
Total	**54 773**	**45 459**	**20.5%**

UK and Other: analysis of key drivers (funds under management and flows)

Funds under management

£'million	31 March 2017	31 March 2016	% change
Investec Wealth & Investment Limited (UK)	**31 866**	**27 105**	**17.6%**
Discretionary	25 393	21 120	20.2%
Non-discretionary	6 473	5 985	8.2%
Other	**3 689**	**2 664**	**38.5%**
Discretionary	943	627	50.4%
Non-discretionary	2 746	2 037	34.8%
Total	**35 555**	**29 769**	**19.4%**

Further analysis of the Investec Wealth & Investment Limited UK business

Funds under management and flows

£'billion	31 March 2017	31 March 2016	% change
At the beginning of the year	**27.11**	**27.32**	
Inflows	3.53	3.38	
Outflows	(2.19)	(2.04)	
Market adjustment^	3.71	(1.26)	
Transfers^^	(0.05)	(0.03)	
Disposals*	(0.24)	(0.26)	
At the end of the year	**31.87**	**27.11**	**17.6%**
MSCI WMA Private Investor Balanced Index (at year end)	1 536	1 318	16.5%
Underlying rate of net organic growth in total funds under management**	4.9%	4.9%	
% of total funds managed on a discretionary basis	79.7%	77.9%	

^ *Impact of market movement and relative performance.*
^^ *Reflects the transfer of clients between jurisdictions.*
* *Reflects the disposal of funds relating to certain non-core operations.*
** *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*

South Africa: analysis of key drivers (funds under management and flows)

Funds under management

R'million	31 March 2017	31 March 2016	% change
Discretionary and annuity assets	109 869	104 480	5.2%
Non-discretionary	212 412	227 033	(6.4%)
Total	**322 281**	**331 513**	**(2.8%)**

Net inflows at cost over the year

R'million	31 March 2017	31 March 2016
Discretionary and annuity assets	8 335	9 300
Non-discretionary	(8 597)#	5 615
Total	**(262)**	**14 915**

Includes an outflow of R4.9 billion of assets transferred to our specialised securities division not included in Wealth & Investment assets.

Questions and answers

Steve Elliott

Global head

Q. How has the operating environment in which you have operated impacted your business over the last financial year?

For the UK business, the financial year has seen two major events which have been relevant to investors, being the UK's referendum on its membership of the European Union and the US presidential elections. The periods surrounding each of these events presented significant uncertainty for investors. Despite the expectations of most commentators, after some initial volatility and a notable decline in sterling, equity markets responded favourably to both the UK's decision to leave the EU and to the election of Donald Trump, with principal market indices having subsequently reached record highs. This has presented a favourable backdrop for most of the financial year, which has been beneficial for both our clients and the performance of the business.

However, whilst the overall outcome of these events has so far been positive, our dedication to the individual needs of each of our clients remains as important as ever as we seek to ensure that we continue to provide the assurance and service our clients need to navigate through these periods of heightened uncertainty.

In South Africa, our clients have continued to trade and invest both locally and offshore, however, they are taking a far more cautious approach to investment, given the volatility in the market. We continued to see good discretionary net inflows, supported by our strong brand and positioning in the local market and an increase in our client base. Our investment approach tends to be more defensive, favouring some of the larger companies listed on the JSE, these companies experiencing a fall in values over the period.

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

We've continued to focus and place an emphasis on enhancing our digital capabilities for our private clients. This includes expanding our self-directed investment capabilities as well as increasing access to our global investment view through our managed investment services, both on our mobile and digital platforms.

Investec Wealth & Investment and Private Bank have been awarded, for the fifth year in a row by Euromoney and the fourth year in a row by the FT in London, the accolade of Best Private Bank and Wealth Manager in South Africa. These accolades show the traction our One Place strategy has had with our private clients and the importance of delivering banking and investments, locally and internationally, to our private clients in One Place.

In South Africa, we continue to enhance our One Place strategy, which focuses on servicing clients' local and international banking and investment needs, a particularly important role through the recent turbulent period. We have done so by leveraging off our international capabilities in Ireland, Switzerland, Hong Kong, Guernsey and the UK.

The continuing development of our digital channel, Click & Invest, has made good progress, with some important milestones in the development being achieved during the year. The final stages of development are now being undertaken as we prepare for the forthcoming launch of this new digital service.

The UK business has continued the process of rationalising its non-core operations. The business took the decision during the year to cease the provision of its Traded Options service, and this was fully completed during the financial year.

Regulation is always an area of focus which requires substantial resources to ensure the business remains fully compliant with all of its obligations.

The most significant change to regulations that we have seen for some time will come into effect over the coming months in the form of MiFID II and new data protection requirements in the UK. Planning for the implementation of these substantial changes has, and continues to be, a significant theme for the business, with considerable IT development and other work being undertaken to accommodate the new requirements. These developments further reinforce the important role that our scale plays in our current and future success in the investment management industry.

While continuing to progress its financial planning offering and strengthen all aspects of the client engagement, Wealth & Investment Ireland has seen significant growth in the conversion of new and existing clients to discretionary management. The recognition of the wealth side of Investec Ireland has continued to expand with the opening of the office in Cork.

In terms of our Swiss operation, a full strategy review has been completed and this has identified an opportunity to consider Switzerland as a multi-jurisdiction platform.

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

We've continued to advance with ongoing projects and introduced new initiatives. This involves keeping the client at the centre of all that we do. The strategy of working together with Private Bank to offer an integrated banking and investment solution to our private clients, both locally and internationally, has been a great success and will remain a key focus in the years ahead.

Our focus on servicing the ever expanding global investment needs of our private clients and in navigating the complex landscape of asset allocation, goal-based investing, fiduciary and tax information, alternative investments and the financial plans to help our clients achieve their financial plans, remains a key strategy for us.

Having a global view is integral to the continued evolution of our business as an international operation. This requires not just broadening our presence but also integrating our various businesses to ensure the best service for clients. Our Asian and Swiss operations continue to allow us to service the expatriate market across various jurisdictions.

The development of our digital capability will continue to be a principal strategic theme. The launch of Click & Invest is a key component of this, and achieving the successful delivery of this new service to the market will be a significant point of focus for the business. However, our digital development goes beyond the new Click & Invest service. We are committed to developing digital enhancements to our core investment management offering and make these available to those clients of the core business for whom they are suited.

The development and expansion of the UK business' financial planning capability remains an important part of our strategy and an aspect of our service that we continue to build as the complexity of the personal financial world continues to increase. We are also continuing to see growth in the use of our international service centres by those international clients who seek UK-based investment expertise.

We see our robust and well-resourced global investment process and research capability essential to our success. The continuous development of these areas, backed by appropriate investment, remains a principal component of our strategy.

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

We have seen some significant events over the last financial year and others remain on the horizon which have the potential to unsettle the markets, not least the detailed negotiations of the UK's exit from the EU. These continuing uncertainties present a challenge to investors, particularly in an environment where returns from traditionally lower-risk asset classes remain low. We are focused on maintaining the quality of our client service and possess the expertise and resources to navigate through the uncertainties that may lie ahead, whilst continuing to invest in our capabilities, digital and otherwise, to build for the future.

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

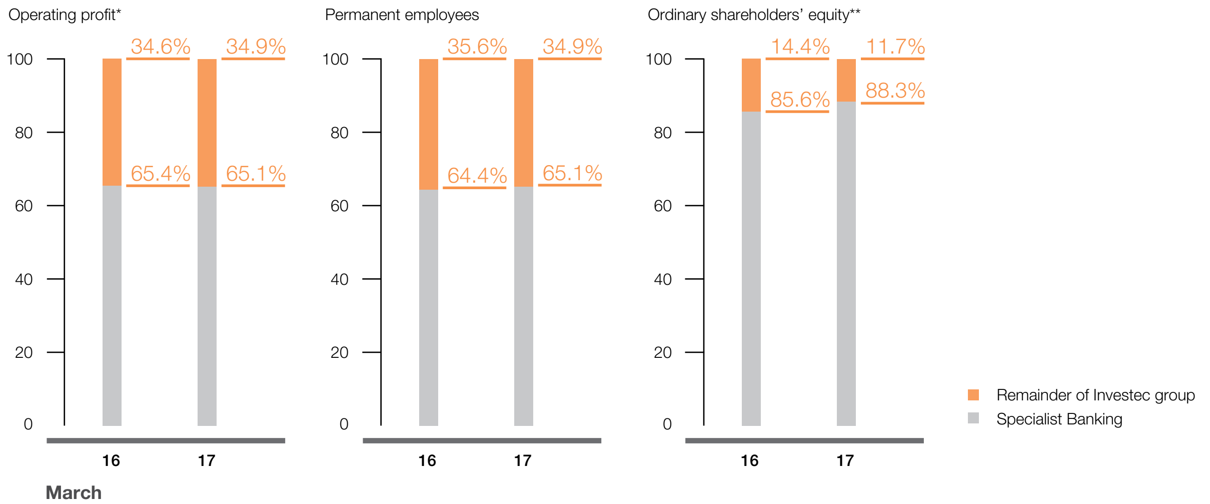
Focus on corporate institutional and private client banking activities

Australia

Experienced local teams in place with industry expertise

Focus is on entrenching position as a boutique operation

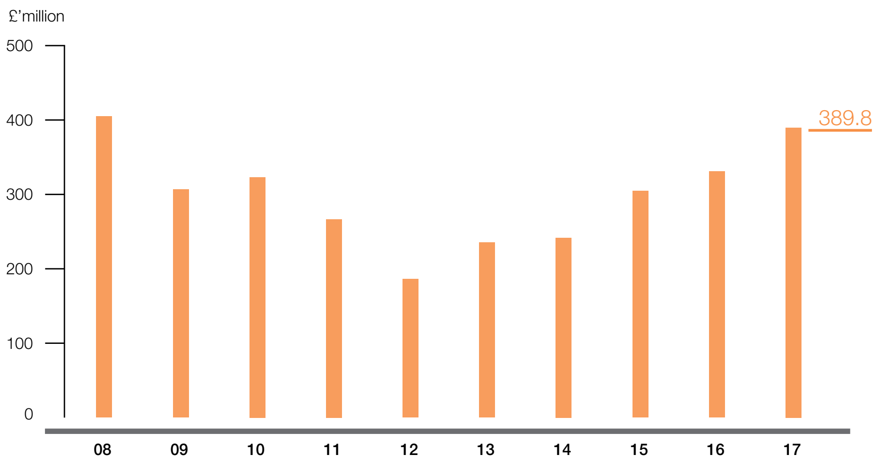
Financial analysis



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

** As calculated on page 66, based on regulatory capital requirements.

Operating profit^ — track record (statutory)



^ *Trend reflects numbers as at the year ended 31 March. Amounts are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

Income statement analysis

£'000	31 March 2017	31 March 2016	Variance	% change
Net interest income	662 809	562 535	100 274	17.8%
Net fee and commission income	442 944	337 017	105 927	31.4%
Investment income	133 791	164 292	(30 501)	(18.6%)
Share of post taxation operating profit/(loss) of associates	17 381	620	16 761	>100.0%
Trading income arising from				
– customer flow	156 973	109 911	47 062	42.8%
– balance sheet management and other trading activities	5 918	9 200	(3 282)	(35.7%)
Other operating income	7 839	9 806	(1 967)	(20.1%)
Total operating income before impairment on loans and advances	**1 427 655**	**1 193 381**	**234 274**	**19.6%**
Impairment losses on loans and advances	(111 454)	(109 516)	(1 938)	1.8%
Operating income	**1 316 201**	**1 083 865**	**232 336**	**21.4%**
Operating costs	(863 963)	(715 619)	(148 344)	(20.7%)
Depreciation on operating leased assets	(2 169)	(2 165)	(4)	(0.2%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	**450 069**	**366 081**	**83 988**	**22.9%**
Profit attributable to non-controlling interests	(60 239)	(35 201)	(25 038)	71.1%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**389 830**	**330 880**	**58 950**	**17.8%**
UK and Other	104 604	78 043	26 561	34.0%
Ongoing^	169 196	156 378	12 818	8.2%
Legacy remaining^	(64 592)	(78 335)	13 743	(17.5%)
Southern Africa	285 226	252 837	32 389	12.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**389 830**	**330 880**	**58 950**	**17.8%**
Selected returns and key statistics				
Ordinary shareholders' equity**	3 319 452	2 483 048	836 404	33.7%
Southern Africa	1 868 797	1 298 566	570 231	43.9%
Ongoing UK and Other	1 393 742	1 114 462	279 280	25.1%
Remaining Legacy	56 913	70 020	(13 107)	(18.7%)
Statutory ROE (pre-tax)**	12.8%	12.5%		
Ongoing ROE (pre-tax) **	15.3%	16.1%		
Southern Africa	16.4%	17.4%		
Ongoing UK and Other	13.9%	14.2%		
Southern Africa excluding investment activities ROE (pre-tax)#	19.6%	–		
Cost to income ratio	60.6%	60.1%		
Operating profit per employee (£'000)**	**63.9**	**59.9**	**3.9**	**6.5%**

^ *Detailed income statement provided on page 73.*
** *As calculated on pages 66 and 68, based on regulatory capital requirements.*
\# *Refer to analysis on page 107.*

The variance in the operating profit in the UK ongoing business over the year can be explained as follows:

- Net interest income increased by 12.0% supported by sound levels of lending activity.
- Net fee and commission income increased by 22.4% largely due to a solid performance from the corporate advisory and aviation finance businesses.
- Investment income increased 2.6% with a sound performance from the UK unlisted investment portfolio partially offset by the write down of an investment in the Hong Kong portfolio.
- Trading income from customer flow increased considerably supported by robust client activity levels and market volatility.
- Total operating income increased by 21.4%.
- Impairments increased marginally with the credit loss ratio amounting to 0.27% (2016: 0.26%). Further information is provided on page 36 in volume two.
- Costs grew ahead of revenue largely due to the investment in building out the private client banking offering, additional premises expenses, deliberate investment in IT infrastructure and headcount, and an increase in variable remuneration given improved profitability.

The variance in the operating profit in Southern Africa over the year can be explained as follows:

Note: The analysis and variances described below for the South African Specialist Banking division are based on the Rand numbers reported.

- The Specialist Banking division reported operating profit before taxation of R5 117 million (2016: R5 290 million)
- The decrease in operating profit in Rands of 3.3% is as a consequence of the change in accounting treatment related to the assets transferred to the IEP Group in the prior year (as explained on page 87 in volume three). Excluding the impact of this transaction operating profit was considerably ahead of the prior year.
- Net interest income increased by 8.4% driven by sound levels of lending activity.
- Net fees and commission income improved by 26.6% supported by continued growth in the Private Banking client base, sound corporate activity and an increase in the scale of the property fund business.
- Investment income decreased by 43.1%, impacted by the IEP Group transaction, as explained above.
- Total trading income decreased largely due to foreign currency translation impacts; while corporate customer flow trading income increased, supported by client activity levels and market volatility.
- Total operating income increased by 3.6%.
- Impairments increased with the credit loss ratio on average core loans and advances amounting to 0.29% (2016: 0.26%), remaining at the lower end of its long-term average trend. Further information is provided on page 36 in volume two.
- Costs increased reflecting higher headcount and IT infrastructure costs across the business to support increased activity and growth initiatives; partly offset by costs incurred with respect to the IEP Group transaction, not repeated in the current period.

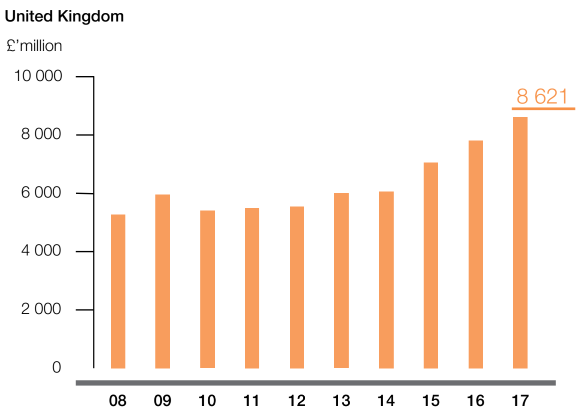
Analysis of key earnings drivers

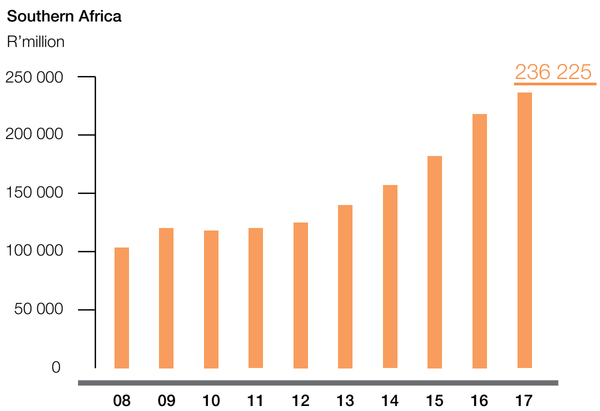
Net core loans and advances

	£'million			Home currency (million)		
	31 March 2017	31 March 2016	% change	31 March 2017	31 March 2016	% change
UK	8 621	7 804	10.5%*	£8 621	£7 804	10.5%*
Southern Africa	14 086	10 315	36.6%	R236 225	R217 958	8.4%
Total	**22 707**	**18 119**	**25.3%**			

* *The Pound weakened over the period. On a currency neutral basis, growth in the book was approximately 6.6%.*

Net core loans and advances



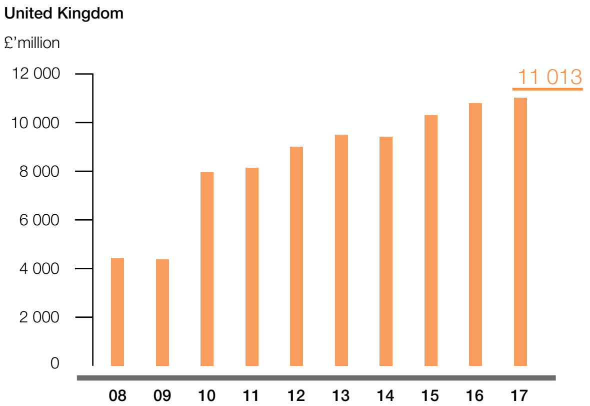


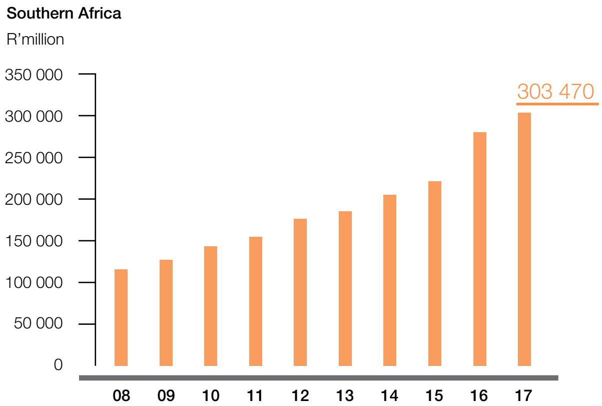
Trend reflects numbers as at the year ended 31 March.

Total deposits

	£'million			Home currency (million)		
	31 March 2017	31 March 2016	% change	31 March 2017	31 March 2016	% change
UK	11 013	10 801	2.0%	£11 013	£10 801	2.0%
Southern Africa	18 096	13 243	36.6%	R303 470	R279 820	8.5%
Total	**29 109**	**24 044**	**21.1%**			

Total deposits





Trend reflects numbers as at the year ended 31 March.

An analysis of net core loans over the period

Refer to further information on pages 35 and 36 in volume two.

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

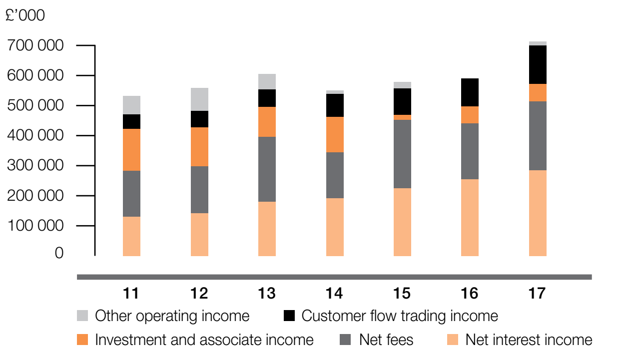
	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
IEP Group	323	16	5 413	303
Equity investments^	130	–	2 177	(1)
Property investments*	260	22	4 361	399
Total equity exposures	713	38	11 951	701
Associated loans and other assets	36	2	612	36
Total exposures 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:*

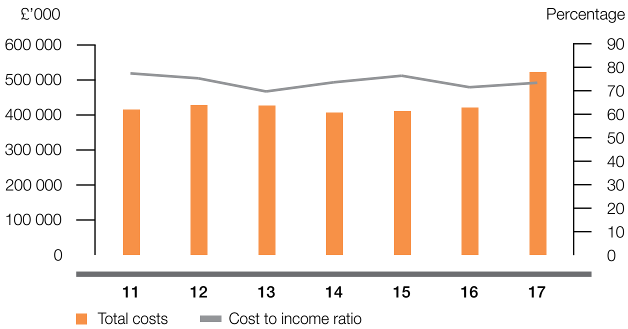
£'million	Total
Net interest (expense)/income	(52)
Net fee and commission income	80
Investment income	35
Share of post taxation operating profit of associates	16
Trading and other operating losses	(5)
Total operating income before impairment losses on loans and advances	**74**
Impairment losses on loans 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**

UK Specialist Bank ongoing

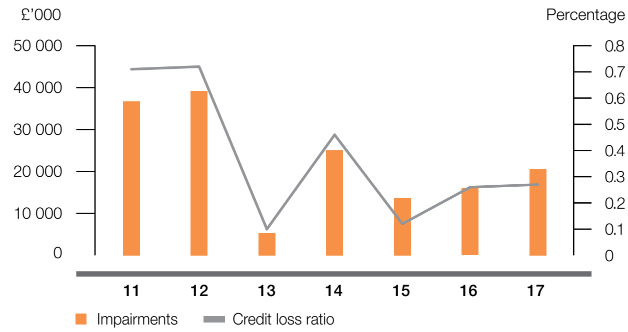
Total operating income



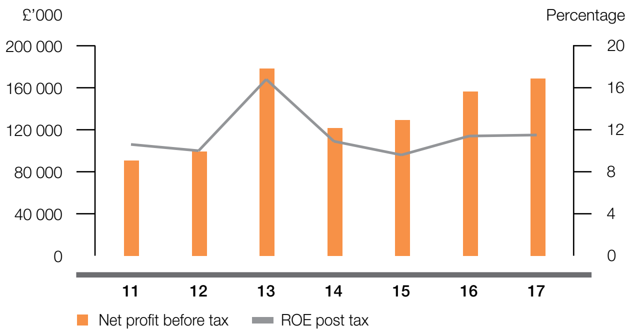
Total costs



Impairments

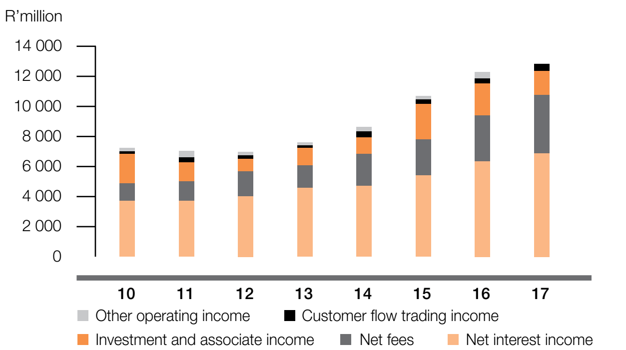


Net profit before tax and ROE

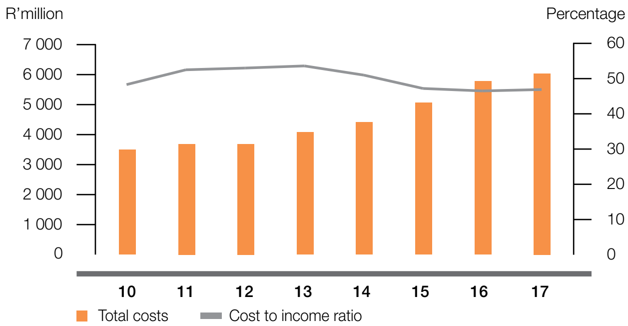


Southern Africa Specialist Bank ongoing

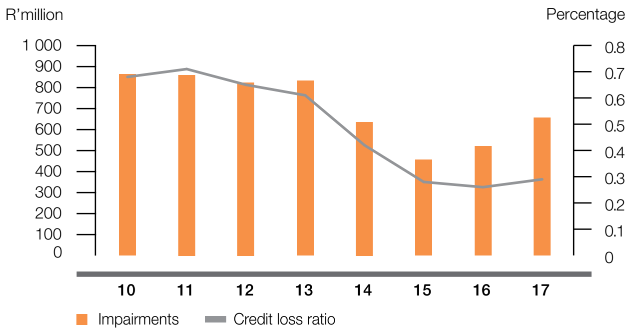
Total operating income



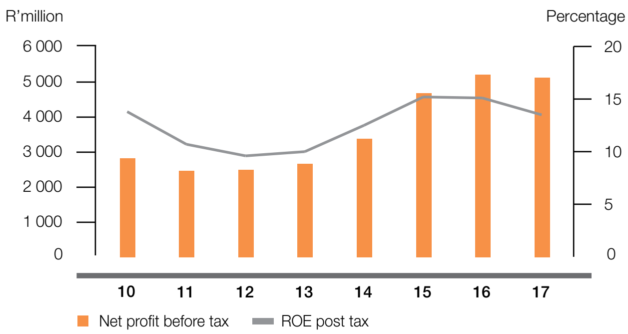
Total costs



Impairments



Net profit before tax and ROE (including the investment portfolio)*



* *Refer to page 107.*

Trends in the above graphs are for the year ended 31 March, unless otherwise stated.

Questions and answers

David van der Walt and Ciaran Whelan

Geographical business leaders **United Kingdom**

Q. How has the operating environment in which you have operated impacted your business over the last financial year?

The year ended 31 March 2017 was marked by surprise outcomes in political events in the UK and abroad. Despite these surprise results and bouts of volatility, major global equity indices witnessed double digit gains, energy prices rebounded and deflationary concerns faded. Global growth remained below historic averages, but there were signs of a pickup in many key geographies. UK economic growth remained surprisingly resilient following June's referendum, despite the uncertainty over future trade arrangements with the EU, although as the financial year closed there were some signs of a slowing in UK economic activity.

In the main the above conditions proved to be a positive environment for our clients, and as a consequence for our business, with robust activity levels across the board.

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

The Specialist Bank recorded robust levels of activity with a very strong performance by the corporate business. The private banking business continued to invest in people and infrastructure to position itself for future growth.

The Corporate and Institutional banking business saw a strong performance from our flow trading businesses, coupled with good activity across our lending, aviation and advisory businesses. Deal flow has been very good and the impact of the Brexit vote has not been felt on activity levels as yet.

Flow trading was driven by the increased volatility in markets which saw more active hedging strategies from our clients. The investment banking and advisory business had a record year and the aviation business completed a number of significant transactions. Our continued focus on building our client base and reputation in our specialist activities is reaping rewards.

The Private Banking division continues building its UK franchise and developing its client base. The change in our target market to focus on high net worth and high income earners rather than more generally on professionals, continues to prove successful and enables us to focus more clearly.

The past year has seen a continuation of this strategy, especially with increased investment in the products, people and infrastructure required for long-term success. The structured property finance business continued to successfully support selected high net worth, seasoned property investors and developers.

Our Private Capital business which can simply be described as 'investment banking for individuals' was established during the year and has completed a few deals already. This validates our view that this is a complementary addition to the services we offer our selected client base.

Overall, we continue to make good progress in the development of our niched Private Banking offering. We have seen strong flow from our South African Private Banking clients, which again affirms the attraction of our multi-geographical approach.

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

We will continue to apply our strategy of building and developing our client franchises in the UK, with the primary focus on entrepreneurs, corporates and high net worth clients. We want to grow the client base, expand our funds and investment product business, and ensure ongoing high levels of service to existing clients across our offering.

We are strengthening the infrastructure required to make sure our technology and digital offering matches the high standards of service we are targeting. We plan to complete the major investment we have made in the private banking infrastructure during the coming year which will then allow us to focus on client acquisition and retention.

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

The current global political uncertainty provides a difficult backdrop for both clients and markets, which to date have proven to be more resilient than expected. On the basis that this scenario continues we are cautiously optimistic that we can deliver another strong underlying performance.

We are anticipating a relatively large one off increase in costs that will not be matched in revenue. The costs relate to a new office move during the year and the completion of the private banking build out.

Our focus is, however, on our long term success and building scale in our business. We are measuring this by the growth in our client base and growth of recurring revenue as we build scale and are confident that in the medium term we will deliver the returns and growth on the investment.

Questions and answers

Richard Wainwright

Geographical business leader **Southern Africa**

Q. How has the operating environment in which you have operated impacted your business over the last financial year?

The year ended 31 March 2017 was unpredictable for global financial markets. The 2016/17 year was marked by volatility and political upheaval, an oil price recovery and a global stock market recovery on signs of improving US economic growth. In South Africa a cabinet reshuffle towards the end of the financial year and related downgrades has affected the economic outlook. Notwithstanding the slowdown in the economy, our clients have remained reasonably active and our international offering in our client segments is a strategic advantage.

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

Excluding the negative impact of the accounting treatment related to the IEP Group transaction, the Specialist Bank in South Africa reported results well ahead of the prior period. This is reflective of our increasing client focus and coordination across all divisions with enhanced strategies to penetrate our existing client base and grow our market share.

We have made good progress with our digitisation strategy which focuses on ensuring that we create a client experience that is both 'Out of the Ordinary' and 'high tech and high touch'. This is part of our strategy to deepen our strong relationships with our core client base, and offer them a broad spectrum of services and products.

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

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

We continue to build our franchise in our core client segments. Building and developing our client franchises remains integral to the growth and development of our organisation and we are committed to optimising the client experience, ensuring our target clients do more with us as an organisation.

Our strategic focus in South Africa remains the following:

- Grow market share in our niche businesses
- Identify new sources of revenue across our existing client base:
  - Launch of Investec Life in second half of 2017
  - Creation of Investec Specialist Investments
- Management of our liquidity ratios with an emphasis on retail funding initiatives
- Management of our capital to optimise returns
- Investment in our technology platforms, including digitalisation of products and services.

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

Political events are likely to continue to impact financial markets. That said client activity across lending and treasury products is expected to remain reasonable.

03

Corporate governance and corporate responsibility

"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

9 June 2017

Within this report you will find: Page

Who we are

What we did

How we comply

Who we are

Governance framework

Investec operates under a dual listed 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

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

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%

Corporate governance

(continued)

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.

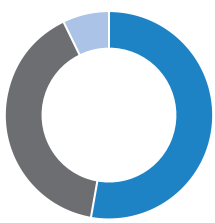
Diversity

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.

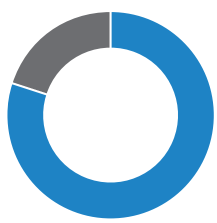
Geographical mix:



South Africa	53%
UK	40%
Other	7%

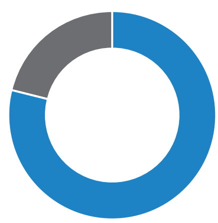
Board gender balance:

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

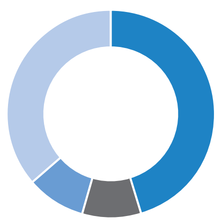
Average length of service post-2017 AGM: 8

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

UK Corporate Governance recommendation:

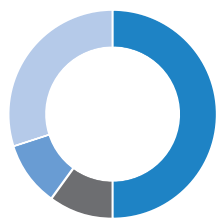
Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

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 (7 meetings in the year)		Investec Limited (7 meetings in the year)	
		Investec plc	Investec Limited	Eligible to attend	Attended	Eligible to attend	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

DLC nominations and directors' affairs committee report

Dear Shareholder

As the chairman of the nomination and director's affairs committee (nomdac), I am pleased to present you with our report.

The key processes of the nomdac are designed to ensure that the board and senior management are comprised of a talented and diverse range of people with the collective skills and experience that are necessary for the group to meet its objectives and strategic goals. This is essential for the effective governance of the group and the successful running of our business.

At Investec, our culture and values are at the core of how we make decisions and how we are governed and the nomdac is always guided by these values. Our detailed recruitment process ensures that those joining the organisation understand our culture, the needs of our clients and our focus on the long-term success of the group. The tone must be set from the top - our most senior people must be able to live and demonstrate our values: distinctive performance, dedicated partnerships, client focus, and cast-iron integrity.

Over the following pages we will share with you some key information about the role and functioning of the nomdac. We will explain in more detail the key topics and themes that the nomdac has looked at during the year, and what we hope to focus on in the forthcoming year. Topics will be considered under the following headings:

- Skills, knowledge and experience
- Independence
- Diversity
- Succession
- Subsidiary board composition.

Fani Titi
Chairman, DLC nomdac

9 June 2017

"We embrace differences as a strength within our company"

DLC nomdac

Fani Titi

Chairman of the DLC nomdac

Key achievements in 2016/17

- Succession planning and bedding down of senior executive management appointments in subsidiaries
- Driving governance changes
- Design and approval of Investec Bank plc's governance framework within the context of the Senior Managers Regime
- Induction of the new senior independent director and non-executive directors for Investec Bank plc

Areas of focus in 2017/18

- Continue to focus on senior management succession planning
- Implementation of new governance arrangements for Investec Bank plc and including oversight of committee membership and establishment of Investec Bank plc nomination committee and Investec Bank plc audit committee, and ensuring alignment to the group process
- Continue to implement structured board refreshment programme

How the nomdac works

Role

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

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

Composition and meeting frequency

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

DLC nomdac

Meeting schedule and attendance

In terms of the approved terms of reference for the nomdac, meetings of the committee shall be held at least three times per annum and as and when required on an ad hoc basis.

During the financial year ended 31 March 2017, the committee met on four occasions.

How the committee spent its time

Composition of boards and committees	Succession planning	Corporate governance and review of disclosures	Board effectiveness	Training and development	Other
25%	25%	15%	15%	10%	10%

Composition

Members throughout the year	Committee member since	DLC (4 meetings in the year) Eligible to attend	Attended
F Titi (Chairman)	9 Sept 2010	4	3
PKO Crosthwaite	16 Sept 2014	4	4
D Friedland*	16 Sept 2014	4	4
PRS Thomas	9 Sept 2010	4	4
SE Abrahams**	9 Sept 2010	4	3

* *In principle, it has been agreed that the chairs of the group's key governance committees (audit, board risk and capital and remuneration committees) be appointed to the nomdac. Accordingly, and further to Zarina Bassa's appointment as the Chair of the audit committees, Zarina Bassa was appointed to the nomdac with effect from 1 April 2017.*

** *SE Abrahams represents Investec Bank Limited on nomdac.*

Skills, knowledge and experience

The nomdac continually monitors the composition of the current board and considers what attributes, skills and experience are necessary in order for the board to effectively discharge its responsibilities. The nomdac has overseen the programme of directors' development to ensure that it includes training to keep directors up to speed with the latest relevant developments, including technology and cybersecurity. Additionally, the appointment of Laurel Bowden in 2015 was to ensure that there was strong independent non-executive representation in the technology area. Laurel has significant experience of fintech and involvement with businesses at the leading edge of technology and digital solutions.

Independence

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

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

Over the last three years, six directors have retired, and five new directors have been appointed and, as a result, the average tenure for serving directors has reduced considerably. There has been a significant amount of change and previous board effectiveness reviews clearly articulated the need to let these changes settle down before further changes to the composition of the board were made. The nomdac, and the board, are now satisfied that the new members of the board have settled in. Accordingly, the structured board refreshment programme will proceed and Peter Thomas will step down from the board immediately following the annual general meeting on 10 August 2017.

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

Diversity

The nomdac, in considering the composition of the board, is mindful of all aspects of diversity. This includes gender, race, skills, experience and knowledge. At Investec we embrace differences as a strength within our company. Having a diverse board is a clear benefit, bringing with it distinct and different outlooks, alternative viewpoints, and challenging mindsets.

With regard to gender diversity, Investec is cognisant of the recommendations of the Hampton-Alexander Review, with regards to the setting of targets for the representation of women on the board, and has an aspirational target of 33% female representation by 2020. However, Investec is a meritocracy, and believes that targets should be achieved without the setting of formal quotas. We therefore recognise the need to create opportunities for talented individuals to move up through the organisation. To assist with this, Investec undertakes a number of diversity initiatives across the organisation and has signed up to the 30% Club in both the South Africa and the UK, which promotes female board representation. For more information on these initiatives, refer to page 156.

Succession

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

The nomdac considers succession planning both in terms of ensuring there are named individuals able to step in and provide cover in the event of an immediate vacancy, and in terms of ensuring that the group is increasing the internal pool of talented and skilled individuals by providing opportunities for individuals to develop and grow within the organisation. Investec's approach to succession has been a successful one, the organisation has an excellent track record of developing talent and managing transition, and has never had a situation where it was unable to fill a key management position through internal resources.

Subsidiary board composition

In addition to considering the composition of the board, the nomdac keeps under review changes to the composition of the boards of its key subsidiaries. During the period under review, the nomdac acted as the nomination committee of Investec Bank plc. The nomdac has reviewed the composition of the board of Investec Bank plc, and recommended two appointments which it believed would further enhance the effectiveness of the Investec Bank plc board and the degree of independent challenge and independence of the group. The board of Investec Bank plc agreed with the recommendation and as a result Moni Mannings was appointed as a non-executive director of Investec Bank plc on 27 July 2016. Moni brings extensive legal experience, having been a former partner at Olswang as well as valuable commercial and public sector board and committee experience. Brian Stevenson was also appointed on 14 September 2016 as senior independent non-executive director for Investec Bank plc. Brian has extensive banking experience, including experience of chairing audit, risk and remuneration committees. The nomdac considered that it was important that these appointments were made to the board of Investec Bank plc only, and not to the boards of Investec plc and Investec Limited. As part of this process, Investec Bank plc set up its own governance committees which work seamlessly with group governance committees.

Further information about the specific actions of the nomdac during the financial year ended 31 March 2017, is contained within the following table.

Committee activities

Areas of focus	Matter addressed	Role of the committee	Conclusions/actions taken
Succession planning	• Discussion of succession planning including an update on senior management succession	• Received a detailed report from the chief executive and the managing director on the implementation of management succession changes that had taken place since November 2015 • Considered management succession in Investec Bank Limited (new chief executive officer) • Received a forward looking report on future succession	• The committee continually monitor and review succession and assess the success of management changes that have been implemented.
Subsidiary board composition	The board received reports on the composition of the key subsidiaries of Investec plc and Investec Limited, including: • Investec Bank plc • Investec Bank Limited • Investec Wealth & Investment Limited • Investec Securities Limited • Investec Asset Management Limited • Investec Life Limited • IEP Group (Proprietary) Limited formerly Investec Equity Partners (Proprietary) Limited • Investec Bank (Switzerland) A.G. • Investec (India) Limited • Investec Bank (Channel Islands) Limited	• Reviewed the composition of each of the key subsidiaries of Investec plc and Investec Limited • Considered any vacancies, new appointments or changes that would enhance the effectiveness of the boards, with particular regard to group oversight and governance of subsidiary companies with due regard to local regulatory or legal requirements and best practice, and ensuring an appropriate level of independent scrutiny at subsidiary level	The following matters were agreed: Investec Bank plc • Appointment of two non-executive directors, Moni Mannings and Brian Stevenson (senior independent non-executive director) • Appointment of Ruth Leas and Ciaran Whelan as executive directors Investec Bank Limited • Appointment of Nishlan Samujh as an executive director • Consideration and engagement of consultant for the appointment of an additional non-executive director Investec (India) Limited and Investec Bank (Switzerland) A.G. • Appointment of Investec Bank plc's Head of Conduct and Governance as new chairman Investec Bank (Channel Islands) Limited • Appointment of Investec Bank plc's Head of Conduct and Governance as new director and chairman
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 nine years	• Considered the independence of the non-executive directors giving regard to the factors that might impact their independence, and in particular considered the independence of Peter Thomas and Chery Carolus, each of whom had served on the boards for periods exceeding nine years • Considered the directors contribution at board meetings and whether they in fact demonstrated independent challenge	• The committee concluded that it was satisfied that both Cheryl Carolus and Peter Thomas remained independent, and confirmed that they should be regarded as independent non-executive directors

Committee activities			
Areas of focus	**Matter addressed**	**Role of the committee**	**Conclusions/actions taken**
Board diversity	• Received information on governance requirements set out in the UK's Senior Management Arrangements, Systems and Controls Handbook (SYSC) applying to Investec Bank plc regarding board diversity, and adoption of changes to terms of reference to reflect these requirements • Considered the target for the representation of women on the board of Investec plc and Investec Limited and confirmed its support of the 33% target recommended by the Hampton-Alexander Review	• Noted governance requirements that required certain regulated entities to adopt a Board Diversity Policy and a target for female representation on the board • Approved amendments to its terms of reference in order to include these duties to ensure that Investec Bank plc remained compliant with the rules	• Adoption of changes to the terms of reference
Board 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 would take 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 board effectiveness review showed good progress on the issues identified in the independently facilitated review

Looking ahead

The nomdac will continue to focus on how to further develop senior management in order to support our succession plans.

Furthermore, the nomdac will continue to implement its refreshment programme, with careful consideration and challenge around the independence of those directors who have served for longer than nine years. As noted, the nomdac continuously looks forward to the challenges and opportunities that the group will face, and will continue to review the composition of the board to ensure that it is optimally structured to drive forward the strategy that will enable the group to succeed.

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

In respect of subsidiary governance, the board and the Investec Bank plc board have agreed to the establishment of a Investec Bank plc nominations committee. That committee will comprise a majority of independent non-executive directors and the chair of the nomdac. The Investec Bank plc nominations committee will report into both the Investec Bank plc board and the nomdac.

DLC social and ethics committee report

Dear Shareholder

As the chairman of this committee, I am pleased to present the report of the social and ethics committee (SEC) and the work done by this committee during the last financial year.

Although the formation of the SEC is a South African legal requirement, given the relevance of its mandate across all jurisdictions, the board have resolved to constitute the SEC to monitor the activities for the Investec group and not just for Investec Limited.

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

Investec's approach is greater than simply complying with the functions of the SEC as set out in the South African Companies Act, 2008, as amended. We care about the world we live in and believe in living in society and not off it. We recognise that economic growth and societal transformation are vital to creating a sustainable future for all the communities in which we operate and that we play a critical role in enabling this.

Over the following pages we will share with you some key information about the role and functioning of the SEC. We will explain in more detail the key themes that the SEC has looked at during the year, such as:

- Social and economic development
- Good corporate citizenship
- Environment, health and public safety
- Consumer relations
- Talent management and labour relations.

Fani Titi
Chairman, DLC SEC Committee

9 June 2017

"Investec lives in society and not off it"

DLC Social and ethics committee
Fani Titi
Chairman of the DLC SEC

Key achievements in 2016/17

- Corporate and Social Investment (CSI) spend of R85.9 million and £1.9 million in South Africa and the UK respectively during 2017
- Skills development spend of just under R231 million in South Africa and £8.2 million in the UK during 2017
- 115 individuals have graduated on the bursary programme since 2012
- Launched the Promaths bursary fund with R5 million of initial capital allocated by Investec

Areas of focus in 2017/18

- Oversight and coordination of group social, environmental and ethics matters
- Improved communication of the various group environmental, social and ethics efforts
- Intensify our engagement in South African society to support socio-economic development

How the SEC works

Role

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

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

- Social and economic development
- Good corporate citizenship.

Composition and meeting frequency

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

DLC Social and ethics committee

Meeting schedule and attendance

In terms of the approved terms of reference for the social and ethics committee, meetings of the committee shall be held quarterly. At a meeting of the committee held on 26 July 2016, the frequency of meetings was discussed and it was agreed that there should be 4 scheduled meetings per annum, although the committee could determine that one of the scheduled meetings could be cancelled.

How the committee spent its time

Employment matters	DLC corporate responsibility	Reputational risk	Policy matters
20%	50%	5%	25%

Composition

Members throughout the year	Committee member since	Eligible to attend (3 meetings in the year)	Attended (3 meetings in the year)
F Titi (Chairman)	17 May 2012	3	2
CA Carolus	17 May 2012	3	3
B Kantor	17 May 2012	3	3
S Koseff	17 May 2012	3	3
Lord Malloch-Brown KCMG	8 Aug 2014	3	3
PRS Thomas	17 May 2012	3	3

The composition of the committee is in accordance with the requirements of Section 72(8) of the South African Companies Act, 2008, as amended, and its associated regulations.

Other regular attendees

- Sustainability and strategy
- Head of organisational development
- Head of investor relations
- Head of company secretarial and staff share schemes

Committee activities

Areas of focus	Matter addressed	Role of the committee	Conclusions/actions taken
Social and economic development (including human rights)	Monitoring the group's standing in terms of the goals and purposes of: • The 10 principles set out under the United Nations Global Compact Principles (UNGCP) • The Organisation of Economic Co-Operation and Development (OECD) recommendations regarding corruption	The committee: • remains committed to the 10 principles of the UNGCP with respect to human rights, labour, environment and anti-corruption • ensures that the Investec group and its subsidiaries adhere to the relevant laws in all its jurisdictions and strive to advance the UN principles within its sphere of influence	• The committee supports the international agenda to abolish human trafficking, slavery, forced and child labour. • The group has started the process to integrate the provisions of the UK's Modern Slavery Act into its business, supply chain policies and practices in the UK • The committee ensures that the group was not complicit in any human rights abuses
Good corporate citizenship	• Refer to page 125 for further details	• The committee discusses and monitors the various elements of good corporate citizenship	• The committee is satisfied that the group's standing and commitment to the various elements of good corporate citizenship remain in place and was actively enforced
The South African Employment Equity Act	• Monitoring Investec Limited and its subsidiaries' compliance with the relevant legislation	The committee: • Monitors progress made against Investec Limited's employment equity plans • Engages with the management of human resources to address challenges around matters such as diversity and employment equity targets • Engages with members of the employment equity forum • Monitors and reviews diversity across the group and considers any regulatory developments in this regard	• The committee is satisfied that the group does take the appropriate measures in order to comply with the relevant legislation
The South African Broad-Based Black Economic Empowerment Act	• Monitoring Investec Limited and its subsidiaries' compliance with the relevant legislation	The committee: • Monitors Investec Limited's empowerment rating and discuss with management how to improve the rating • Receives and reviews detailed information on recent developments with respect the Department of Trade and Industry Codes and the Financial Sector Charter and the scorecards going forward	• The committee is satisfied that the group does take the appropriate measures in order to comply with the legislation

Committee activities

Areas of focus	Matter addressed	Role of the committee	Conclusions/actions taken
Contribution to the development of communities	• Monitoring Investec Limited and its subsidiaries' activities in contributing to the development of the communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed	• The committee receives regular reports on the group's corporate and social investment initiatives as well as the strategy and spend in respect thereof	• The committee ensures that the Investec group contributes to the development of communities
Talent retention and attraction of employees	• Investing in learning and development opportunities for employees as well as individuals outside of the workplace	• The committee receives regular reports on the learning opportunities and development of employees and others outside of the workplace	• The committee notes that the Investec group is heavily involved in secondary and tertiary education of the community as well as the development of employees
Culture and ethics	• Investec's core values include unselfishly contributing to society, valuing diversity and respecting others	• The committee receives regular reports on the group's activities in respect of programmes offered to enhance its core values	• The committee is satisfied that the Investec group's core values have a positive impact on the success and well-being of local communities, the environment and on overall macro-economic stability
Reporting to shareholders of Investec Limited and Investec plc	• Reporting to shareholders on matters within its mandate	• The committee reports to the shareholders on its activities on an annual basis by means of the annual reports and at the annual general meeting of both companies	• The committee ensures that it complies with this function
Advising the board on matters within its mandate	• By advising the board of directors of any relevant matter within its mandate as the occasion requires	• A report is made/tabled at the combined board meeting of Investec Limited and Investec plc	• The committee ensures that the board is aware of relevant matters within its mandate which could impact the Investec group's reputation

Audit committee report

Dear Shareholder

We are pleased to present you with the report of the DLC audit committee, the Investec plc and Investec Bank plc audit committee (the PLC audit committee) and the Investec Limited and Investec Bank Limited audit committee (the INL audit committee) for the financial year ended 31 March 2017. For the purposes of this report, the term audit committees will be used to refer to the DLC audit committee, PLC audit committee and INL audit committee combined.

Over the following pages we will share with you some key information about the role and functioning of Investec's audit committees within the DLC structure. In addition to outlining the audit committees' structure, we have included some insight into how decisions are made and where judgement needs to be applied to the significant issues addressed by the audit committees during the year. Information has been provided under the following headings, which align to the key functions of the audit committees:

- Financial reporting
- External audit
- Internal controls.

Committee performance

The audit committees' performance was considered as part of the board effectiveness process that was conducted during 2016. This process did not identify any areas of concern about the functioning of the audit committees.

Role of the chair

The role of the chairman of the audit committees requires regular meetings with the Heads of internal audit, as well as the lead external audit partner and senior management outside of formal committee meetings in order to maintain and develop an understanding of the group's operations and risks facing the business. These interactions are an essential part of the role of the chairman of the audit committees, as it provides an additional layer of assurance to gain comfort that these control functions are aligned in terms of their understanding of the risks facing the business and mitigation thereof.

With effect from 1 April 2017, the role of chairman of the audit committees transitioned between us; from David Friedland to Zarina Bassa. This change will result in the audit committees and the board risk and capital committee (BRCC) being chaired by different independent non-executive directors. Whilst these committees have met all legal and regulatory requirements from a composition and independence perspective to date, this change is viewed as providing an additional layer of independence between these committees. It is essential that there are some should be synergies in membership, as such, the audit committees and BRCC will continue to have some common membership given the nature of the matters discussed by these committees. For that reason, the BRCC will continue to be chaired by David and Zarina will continue to be a member.

As part of the handover, we met on several occasions to discuss the role of chairman of the audit committees. Given that Zarina has been a member of the audit committees since 2014, she is already aware of the issues known to the audit committees, as well as how the meetings are currently conducted. We also met with the external audit partner and key members of Investec's internal control functions, including internal audit, finance and compliance as part of the handover. Zarina is also an experienced audit committee chairman and the board has have every confidence that Zarina is well equipped to lead the audit committees in the board has an effective manner going forward.

"Investec's robust governance framework is supported by its open and honest culture which helps to ensure any issues are escalated in a timely manner"

DLC audit committee

David Friedland
Chairman of the DLC audit committee until 31 March 2017

Zarina Bassa
Chairman of the DLC audit committee from 1 April 2017

Key achievements in 2016/17

- Implementation of whistle-blowing hotline

Areas of focus in 2017/18

- IT risk and cybersecurity
- Business continuity
- Establishment of Investec Bank plc audit committee
- Implementation of IFRS9
- Implementation of King IV
- Conduct

Looking ahead

In the year ahead, IT risk and cybersecurity will continue to be key focus areas of the audit committees. We are acutely aware of the threats posed by these areas and, as such, have sought more reporting on these topics, which have become a significant portion of the audit committees' agendas over recent years. The audit committees will spend time on the implementation of King IV, IFRS9 and issues relating to conduct.

During the period under review, the PLC audit committee acted as the audit committee of Investec Bank plc. The nomdac, the board and the board of Investec Bank plc have agreed to the establishment of the Investec Bank plc audit committee. Collectively, we believe that the change will strengthen our existing processes and make for more effective and robust decision-making given the UK regulatory environment. The Investec Bank plc audit committee will comprise of independent non-executive directors, the majority of whom will be directors of Investec Bank plc but not the board. The Investec Bank plc audit committee will be chaired by the bank's senior independent director (subject to regulatory approval), Zarina will be a member of that committee and all members of the audit committees will have the right to attend meetings. Implementing and bedding down this new structure will be a key focus for the audit committees.

David Friedland
Former chairman, audit committees

9 June 2017

Zarina Bassa
Chairman, audit committees

9 June 2017

How the audit committees work

Role

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

- oversight of the group's financial reporting process and risks
- managing the relationship with the group's external auditor
- reviewing the group's internal controls and assurance processes, including that of internal audit.

Structure of the audit committees

In terms of Investec's DLC structure, the Investec plc board has mandated authority to the PLC audit committee and the Investec Limited board has mandated authority to the INL audit committee to be the audit committees for those respective companies and their subsidiaries.

A DLC audit committee, which has responsibility for audit-related matters that are common to both Investec plc and Investec Limited, has also been formed. In particular, the combined group annual financial statements and year-end and interim results are considered and recommended for approval to the board by the DLC audit committee.

Composition and meeting frequency

To ensure continuity across the matters considered by the audit committees, the membership of the audit committees are identical. All of the members are independent non-executive directors, whose continuing independence is assessed annually by the nomdac, who in turn make a recommendation on the members' independence to the board. The nomdac and board have formed the opinion that the audit committees have the appropriate balance of knowledge and skills in order for them to discharge their duties. In particular, a majority of the members are chartered accountants and all members have relevant commercial experience in order for them to effectively consider the issues that are presented to the committees.

Audit committee reporting lines

Investec plc and Investec Limited board of directors

Investec plc and Investec Bank plc audit committee	DLC audit committee	Investec Limited and Investec Bank Limited audit committee
Responsible for all legal and regulatory requirements as necessary under UK legislation and listing rules – including the UK Disclosures and Transparency Rules (7.1.3R) and the UK Corporate Governance Code	Responsible for matters that are common to the PLC and INL audit committee. Including the combined group financial statements and results announcements, review of the independence and effectiveness of the external audit function, review of the going concern concept, group viability statement, review of the finance function and finance director	Responsible for all legal and regulatory requirements as necessary under South African legislation and listing rules – including King III

Subsidiaries and audit sub-committee

Assurance functions, including group compliance, group legal, group finance, tax, internal audit, external audit and group risk

Audit committees

Meeting schedule and attendance

During the financial year ended 31 March 2017, the DLC, PLC and INL audit committees each met four times, resulting in 12 meetings in aggregate.

How the committees spent their time

DLC

Financial reporting	External audit matters	Risk management and internal controls	Other (including governance matters)
60%	25%	10%	5%

PLC

Financial reporting	External audit matters	Internal audit matters	Risk management and internal controls (including BCP, IT risk and cybersecurity)	Other (including macro issues and reports from subsidiary committees)
25%	25%	25%	15%	10%

INL

Financial reporting	External audit matters	Internal audit matters	Risk management and internal controls (including BCP, IT risk and cybersecurity)	Other (including macro issues and reports from subsidiary committees)
25%	25%	25%	15%	10%

The agenda and meeting schedule for the audit committees' meetings was such that the PLC and INL audit committees spent more of their time throughout the annual cycle obtaining the assurance of internal control and compliance functions, which in turn allows the DLC audit committee to focus on the items which are within its mandate, including consideration of the annual financial statements and assessment of the external auditor.

Composition

Members throughout the year	Committee member since	DLC (4 meetings in the year)		PLC (4 meetings in the year)		INL (4 meetings in the year)	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
D Friedland	1 Mar 2013	4	4	4	4	4	4
ZBM Bassa	1 Nov 2014	4	4	4	4	4	4
LC Bowden	1 Jan 2015	4	3	4	3	4	3
K Shuenyane	8 Aug 2014	4	4	4	4	4	4
PRS Thomas	17 May 2006	4	4	4	4	4	4

Other regular attendees

- DLC board chairman
- Chief executive officer of the group
- Managing director of the group
- Group risk and finance director of the group
- Head of compliance
- Head of IT
- Head of operational risk
- Head of internal audit
- Head of finance
- External auditors
- Head of company secretarial and share schemes

Financial reporting

Process

The audit committees' primary responsibility in relation to the group's financial reporting is to review with both management and the external auditor the appropriateness and accuracy of the half-year and annual financial statements.

In this process, amongst other matters, the audit committees consider:

- the appropriateness of accounting policies and practices and any areas of judgement
- significant issues that have been discussed with the external auditor
- the clarity of disclosures and compliance with financial reporting standards and other relevant financial and governance reporting requirements.

The audit committees receive reports from group finance and external audit at each of their quarterly meetings. The committee meetings afford the non-executive directors the opportunity to discuss with management the key areas of judgement applied and significant issues disclosed in the financial statements.

Areas of judgement and significant issues

The audit committees have assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The main areas of judgement that have been considered by the audit committees to ensure that appropriate rigour has been applied are outlined below. All accounting policies can be found in volume three on pages 30 to 38.

Significant judgements and issues	Committee review and conclusion
Impairments • Determining the appropriateness of impairment losses requires the group to make assumptions based on management judgement.	• The committee challenged the level of provisions made and the assumptions used to calculate the impairment provisions held by the group including assessing impairment experience against forecasts. Particular focus was given to the legacy portfolio and exposures which are affected by the current macroeconomic environment. • Certain members of the audit committee attend the BRCC where impairment provisions are also challenged at a more granular level. The BRCC has oversight of the governance process pertaining to impairments. • The committee was satisfied that the impairment provisions were appropriate.
Valuations • The group exercises judgement in the valuation of complex/ illiquid financial instruments, unlisted investments and embedded derivatives, particularly the level 3 instruments within the portfolio.	• Material individual positions, in particular the unlisted private equity investments, are challenged and debated by the committees with the most material noted as standing agenda items for each of the audit committees throughout the year. • We debated the portfolio valuation adjustment which was recorded to take into account macroeconomic risks on the South African private equity portfolio. • At the year end, prior to the audit committee meetings the audit committee chair met with management and received a presentation on the material investments across the group including an analysis of the key judgements and assumptions used. • The audit committee approved the valuation adjustments proposed by management for the year to 31 March 2017.
Uncertain tax positions • There are certain legacy structured transactions within Investec plc only where there is uncertainty over the outcome of the tax positions and judgement is required over the calculation of the provision.	• The audit committee receives regular updates on this topic from tax, group finance and legal to enable it to evaluate the appropriateness of the tax risk provision to cover existing tax risk. Specialist advice has also been obtained during the period. • The audit committee analyses the judgements and estimates made and discusses the potential range of outcomes that might arise. • The committee confirmed the tax risk provisions and disclosures for the year end.

Going concern

One of the key roles of the DLC audit committee is to review the going concern concept as presented by management and, if appropriate, make the necessary recommendation to the boards in this regard.

Whilst the liquidity and solvency of the Investec group is closely monitored on a daily basis by relevant individuals in the group's risk management division, the DLC audit committee and board expressly consider the assumptions underlying the going concern of the Investec group as part of the annual financial statement process. The following areas are considered in order to make this statement:

- Budgets and forecasts
- Profitability
- Capital
- Liquidity
- Solvency.

For the year ended 31 March 2017, the DLC audit committee recommended to the board that, based on its knowledge of the group, key processes in operation and enquiries, it is reasonable for the financial statements to be prepared on a going concern basis.

Fair, balanced and understandable

At the request of the board, the DLC audit committee has considered whether, in its opinion, the annual report and financial statements for the year ended 31 March 2017 is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

In forming its opinion, the DLC audit committee has:

- Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate
- Conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure.

As such, the DLC audit committee has formed the view that the annual report and financial statements for the year ended 31 March 2017 is fair, balanced and understandable.

External audit

The DLC audit committee has responsibility for reviewing the group's relationship with its external auditors, including, considering audit fees, non-audit services and the independence and objectivity of the external auditors.

Auditor appointment

Investec's external auditors at the DLC level are Ernst & Young LLP and Ernst & Young Inc. (Ernst & Young). Ernst & Young Inc. and KPMG Inc. are joint auditors of the Investec Limited silo and Ernst & Young LLP are the auditors of the Investec plc silo. Ernst & Young have been the group's auditors since Investec's listing on the London Stock Exchange in 2002.

The DLC audit committee considers the reappointment of the external auditors each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditors on an ongoing basis.

Working with the external auditor

The audit committees meet with the external auditors to review the scope of the external audit plan, budgets, the extent of non-audit services rendered and all other audit matters. The external auditors are invited to attend audit committee meetings and have access to the audit committees chairman.

The audit committees evaluated the effectiveness of the auditors through completion of a questionnaire which, amongst other things, assessed the audit partners, audit team and audit approach (planning and execution), during their presentations at audit committee meetings and ad hoc meetings held with the auditors throughout the year. Senior finance function executives also provided feedback to the audit committees.

Independence and objectivity

The DLC audit committee considers the reappointment of the external auditors each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditors on an ongoing basis. The external auditors are required to rotate the lead audit partner every five years and other senior audit staff every seven years. Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period. The lead partners commenced their five-year rotation in 2015 and 2017.

Although Ernst & Young has been the group's auditors since 2002, we continue to believe that partner rotation, limitations on non-audit services including pre-approval of non-audit work and the confirmation of the independence of both Ernst & Young and the audit team are adequate safeguards to ensure that the audit process is both objective and effective.

Non-audit services

The audit committees have adopted a policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the audit committees.

The audit committees review whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group. Total audit fees paid to all auditors for the year ended 31 March 2017 were £10.5 million (2016: £8.4 million), of which £1.6 million (2016: £1.8 million) related to the provision of non-audit services.

Internal controls

The PLC and INL audit committees have responsibility for assessing the adequacy of the group's internal controls. To fulfil this responsibility, the PLC and INL audit committees receive regular reports from risk management, compliance and internal audit including a written opinion from internal audit on the risk management framework, internal controls and internal financial controls. Outlined below are some of the key areas of focus of the PLC and INL audit committees over the past year in terms of their ongoing assessment of the adequacy of the group's internal controls.

Internal audit

In 2015, Grant Thornton were engaged to complete an external review on the effectiveness of the internal audit function. A recommendation of this review was to streamline the internal audit process and, in particular, reduce the number of lower level reviews. Since then, this has been a focus area for internal audit and an area of discussion at PLC and INL audit committee meetings. During the course of this year, challenge at committee meetings has centred on getting this balance right in terms of the number of audits, given the risk profile of business' activities. Delivery of the internal audit plan has been another key area of focus by the PLC and INL audit committees. Monitoring the completion of overdue audit findings and the resourcing of the internal audit function has also been addressed.

Risk management

The PLC and INL audit committees receive regular reports from operational risk, information technology and compliance. During the course of the year, key topics that have been discussed and debated by the PLC and INL audit committees have been:

Business continuity
Consideration of the impact of the London office move in 2018 on the continuity of business operations
Whistle-blowing
Oversight of the selection of an appropriate provider for Investec's whistle-blowing reporting line
Information cybersecurity
Received and discussed the findings of a follow-up targeted attack simulation that was performed on Investec by an external provider
Regulatory compliance
Review and monitoring of results of regulatory compliance reviews

Board risk and capital committee report

"We believe that robust risk management systems and processes are in place to support the group strategy"

DLC board risk and capital committee
David Friedland Chairman of the BRCC
Key achievements in 2016/17
• Review of successful targeted attack simulations to mitigate cybercrime risk • Monitoring of progress of the AIRB project
Areas of focus in 2017/18
• Monitoring and continued mitigation of risks related to cybercrime and information security • Progress towards the implementation of the AIRB approach

Dear Shareholder

As the Chairman of the board risk and capital committee (the BRCC), during the financial year ended 31 March 2017, I am pleased to present you with our report.

The role of the committee is to review, on behalf of the board, management recommendations on a range of risks facing the business. We perform this function by considering the risk reports presented and question that either no management action is required or that existing actions taken by management following discussion are appropriate.

The year under review presented a number of emerging economic and political risks, such as the UK's vote to leave the EU and the impact thereof on our UK business. Investec Limited continued to make progress on the move towards the Advanced Internal Ratings Based (AIRB) approach in order to measure credit risk. The committee was actively involved in reviewing the various models of the AIRB project and special meetings were held where the various models were presented to the committee for approval. Subject to regulatory approval, the completion of the AIRB project is due in 2018 and is expected to have a positive impact on Investec Limited's capital ratios. Apart from the special meetings held to approve specific models, the committee regularly reviewed progress made on the timelines indicated in the AIRB project plan. Furthermore, the committee reviewed and approved the capital plans for Investec Limited and Investec plc.

As a committee, we gained comfort in the fact that a detailed review of the risk appetite limits was conducted by the executive in policy executive risk review committee (Policy ERRF), who recommended the risk appetite limits to the committee for approval. We reviewed the risk appetite limits and challenged the assumptions contained therein.

Reporting to the committee focuses on the key risk disciplines of credit, operational, legal, conduct, reputational, capital, liquidity, market risk and cybersecurity. However, due to the dynamic nature of the business environment in which Investec operates, the committee is flexible to consider other matters of relevance as they arise. For example, the committee requested a number of ad hoc reports in order to adequately assess risks that are due to once off events.

At each board meeting, I report on the key matters discussed at the committee.

Committee performance

The committee's performance was considered as part of the DLC board effectiveness process that was conducted during 2016. This process did not identify any areas of concern about the functioning of the committee.

Role of the Chair

During the year, I met regularly with the heads of risk, as well as heads of the risk disciplines outside of formal committee meetings in order to maintain and develop my understanding of the group's operations and risks facing the business. As with my role as audit committee chairman, I believe that these interactions are an essential part of the role of the chairman, as it provides an additional layer of assurance to help me gain comfort that these risks that are reported to the committee accurately reflect the risks facing the business.

With effect from 1 April 2017, Zarina Bassa took over the role of audit committee chairman from me. This change will result in the DLC audit committee and BRCC being chaired by different independent non-executive directors. Whilst these committees have met all legal and regulatory requirements from a composition and independence perspective to date, this change is viewed as providing an additional layer of independence between these committees. It is essential that there are some synergies in membership, as such, the DLC audit committee and BRCC will continue to have some common members. For that reason, I will continue to chair the BRCC, of which Zarina will continue to be a member.

Looking forward

In the year ahead, the committee will continue to focus on matters related to information security, cybercrime and risks associated with the fast pace of regulatory change faced by the business and assessing the impact of external factors on the group's risk profile. Progress made towards to the AIRB project deadline will also be a regular agenda item.

David Friedland
Chairman, DLC BRCC

9 June 2017

How the BRCC works

Role

The BRCC is an essential part of the group's governance framework to which the board have delegated the monitoring of the group's activities in relation to a number of risks and capital management.

Composition and meeting frequency

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

BRCC

Meeting schedule and attendance

BRCC meets at least six times every year. During the year ended 31 March 2017, the BRCC met nine times.

How the committee spent its time

Balance sheet risk	Credit risk	Market risk	Capital	Other (Including legal, operational, group insurance, conduct risk business continuity, cybercrime and IT)
20%	20%	10%	25%	25%

Composition

Members throughout the year	Committee member since	Eligible to attend (9 meetings in the year)	Attended
D Friedland (Chairman)	Sept 2013	9	9
SE Abrahams	Mar 2011	9	8
ZBM Bassa	Nov 2014	9	8
GR Burger	Sept 2013	9	9
H Fukuda	Sept 2013	9	8
B Kantor	Mar 2011	9	4
S Koseff	Mar 2011	9	9
KL Shuenyane	Jan 2015	9	9
B Stevenson	Sept 2016	3	1
F Titi	Mar 2011	9	8
PRS Thomas	Mar 2011	9	7

Other regular attendees

- Group compliance head – Investec Limited
- Chief risk officer – Investec Limited
- Chief risk officer – Investec plc
- Investec Asset Management COO
- Investor relations
- Global head of governance and compliance
- CFO Private Bank – Investec Limited (for AIRB meetings)
- AIRB project representative (for AIRB meetings)

Corporate governance

(continued)

Committee activities

Areas of focus	Matter addressed	Role of the committee	Conclusions/actions taken
Recovery and resolution plan	• Annual review of the recovery and resolution plans for both Investec plc and Investec Limited	• Questioned the contents of the recovery and resolution plans which address how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec plc and Investec Limited	• The committee gained comfort that adequate plans had been put in place for a scenario where Investec Limited or Investec plc was required to recover from extreme financial stress
Operational risk	• Exposure to any instance where there is potential or actual impact to the group resulting from failed internal processes, people, systems, or from external events	• Monitored the 12-month rolling losses due to operational risk events against the internal risk appetite limit • Monitored losses from single events to the internal risk appetite limit for the largest loss from a single event • Reviewed the overall operational risk rating for Investec Limited and Investec plc in accordance with the operational risk tolerance policy • Discussed risk appetite breaches, in particular the remedial action taken to mitigate the risk events • Reviewed significant risk exposures and interrogated the way in which management was addressing these	• The committee gained comfort that operational risks were appropriately identified and managed within acceptable levels
Capital	• The progress/plan to achieving required regulatory and internal targets and capital and leverage ratios	• Measured key capital ratios against the internal and regulatory limits and what actions management planned to meet these ratios/limits • Reviewed impending regulations on the management of capital	• The committee satisfied itself that Investec Limited and Investec plc were adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios
Market risk	• Market risk capital requirements	• Monitored risk appetite breaches and challenged management action which addressed these breaches	• The committee gained comfort that it addressed breaches to limits appropriately
Credit and counterparty risk	• Risk of an obligor failing to meet the terms of any agreement	• Monitored the risk appetite limit and queried management action taken in respective of breaches	• The committee challenged the effectiveness of the management of such risks within the business
Reputational risk	• Risk of damage to our reputation, name or brand	• Monitored events which could potentially create reputational risk and addressed and ensured that appropriate corporate governance practices, which require that activities, processes and decisions are based on a carefully considered principle	• The committee gained comfort that reputational risk was mitigated as much as possible through detailed processes and governance escalation procedures from business units to the board, and from regular, clear communication with all stakeholders
Conduct risk	• Risk that detriment caused to the bank, its customers, its counterparties or the market as a result of inappropriate execution of business activities	• The committee reviewed and questioned the conduct risk report which is discussed at each meeting	• The committee challenged the effectiveness of the management of such risks within the business

Committee activities

Areas of focus	Matter addressed	Role of the committee	Conclusions/actions taken
Balance sheet risk	• Financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange, encumbrance and leverage risks	• The committee reviewed a report which highlights bank activity, exposures and key measures against thresholds and limits	• The committee challenged the effectiveness of the management of such risks within the business
Business continuity risk	• Strategy to be able to function in the event of a disaster	• The committee reviewed, challenged and debated reports which highlight processes in place to manage this risk	• The committee challenged the effectiveness of the management of such risk within the business
Cybercrime risk	• Cybercrime risk is the risk the group is exposed to by criminal activities carried out by means of computers or the internet	• Regular reports were received regarding the cybercrime landscape, including lessons learnt from external cyberattacks • Received the targeted attack simulation results and ensured that any remediation required was completed	• The committee gained comfort that the management of cybercrime was given the necessary priority

Board remuneration committee report

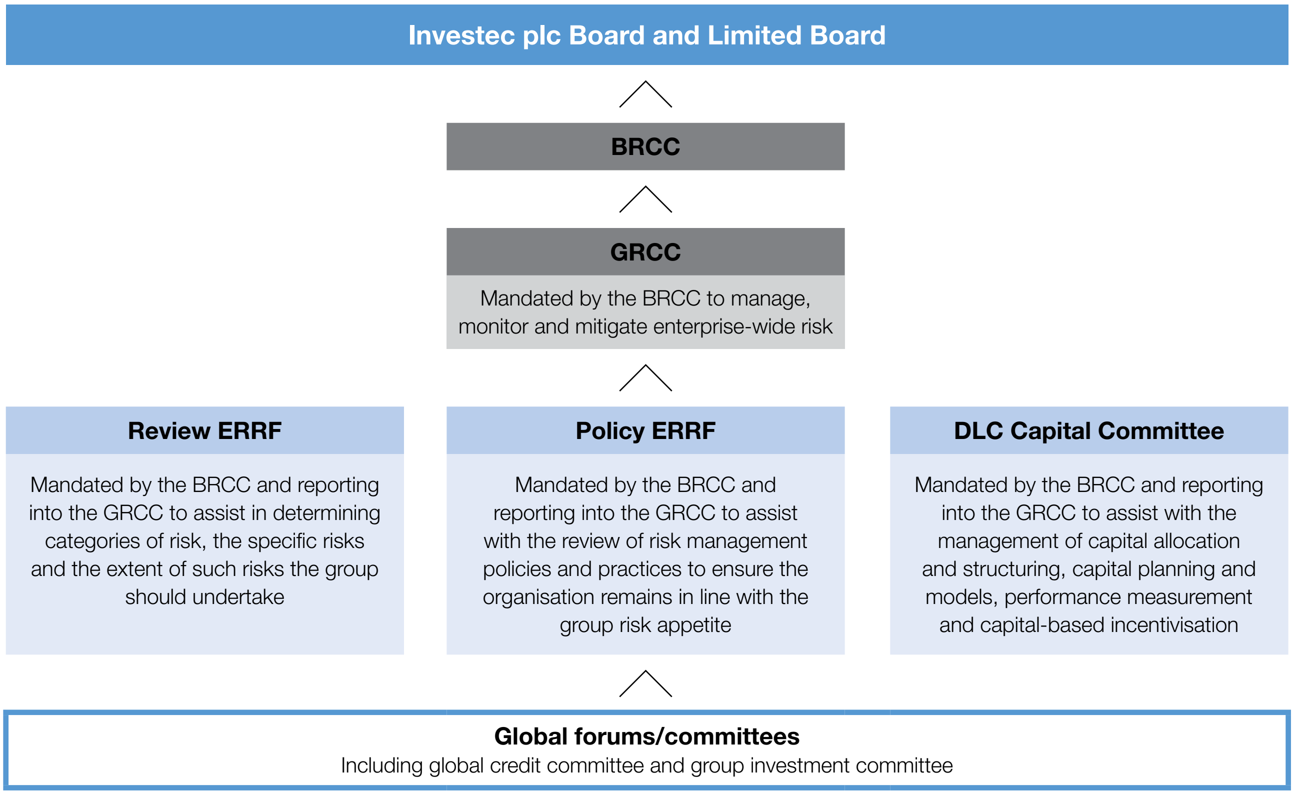
For information on the decisions taken by the board remuneration committee, refer to the remuneration report contained on pages 184 to 226.

Management committees

A number of management committees have been established to support management in their governance of the group. In particular, four key committees have been established to assist with the management and monitoring of the risks facing the group. These are the:

- Group risk and capital committee (GRCC)
- Review executive risk review forum (Review ERRF)
- Policy executive risk review forum (Policy ERRF)
- DLC capital committee.

Each of these committees have been established by the BRCC and the reporting line back into the board is outlined below, as well as the division of responsibilities.



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 on pages 47 to 48.

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 annual report, all of which have informed the board's assessment of the group's viability:

- Pages 22 to 83, which shows a strategic and financial overview of the business
- Pages 40 to 48, which provide detail on the principal and emerging risks the group faces
- Page 11 in volume two, which highlights information on the group's risk appetite framework
- Page 6 in volume two, which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 18, 51, 58 in volume two which highlight information on the group's various stress testing processes
- Pages 62 to 64 in volume two, which specifically focus on the group's philosophy and approach to liquidity management
- Pages 83 to 84 in volume two which explain 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 9 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

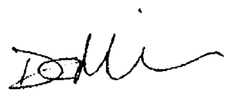
Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure and Transparency Rules of the UKLA and the JSE Listing Requirements.

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.

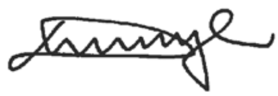
Report to shareholders

This report to shareholders has been approved and authorised for issue to the shareholders of Investec plc and Investec Limited on 9 June 2017 and signed on its behalf by:



David Miller
Company secretary

Investec plc



Niki van Wyk
Company secretary

Investec Limited

Shareholder analysis

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

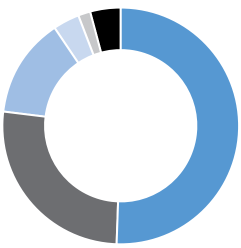
Investec plc ordinary shares in issue

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

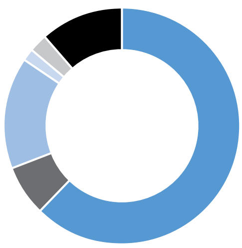
Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 073	1 – 500	46.3%	781 921	0.3%
1 395	501 – 1 000	15.9%	1 079 755	0.4%
1 797	1 001 – 5 000	20.5%	4 108 380	1.4%
424	5 001 – 10 000	4.8%	3 110 267	1.0%
642	10 001 – 50 000	7.3%	15 163 456	5.0%
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%

Building trust and credibility among our stakeholders is vital to good business

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority (UKLA) and Johannesburg Stock Exchange (JSE) and other exchanges on which our shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Reserve Bank (SARB). We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations.

The Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Group Finance and Company Secretarial divisions, ensures that we meet our public disclosure obligations.

We have a board-approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

Employees

- Communication policy
- Quarterly magazine (*Impact*)
- Staff updates hosted by executive management
- Group and subsidiary fact sheets
- Tailored internal investor relations training
- Induction training for new employees

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Suppliers

- Centralised negotiation process
- *Ad hoc* procurement questionnaires requesting information on suppliers' environmental, social and ethical policies

Media

- Regular email and telephonic communication
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with investor relations team and executive management

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Shareholder roadshows and presentations
- Regular meetings with investor relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Clients

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Tailored client presentations
- Annual and interim reports
- Client relationship managers within the business

Rating agencies

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with investor relations team, group risk management and executive management
- Tailored presentations
- Tailored rating agency booklet
- Annual and interim reports

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with investor relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

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.

Responsibility

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

Refer to page 132 for further information

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 on pages 158 to 183 of this 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.

Corporate responsibility

(continued)

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

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%.**

Our people

Investec positions its culture as a strategic differentiator. We prize our flat structure and meritocratic approach and uphold an environment that encourages self-starters to drive their careers in line with business objectives. We employ passionate and talented people who are empowered and able to perform extraordinarily.

In assuming responsibility for our people we seek to promote corporate responsibility through:

Competitive remuneration and reward

Industry competitive packages and long-term share awards

Please refer to pages 185 to 226 for more information.

Bespoke (specialised) learning environment:

100% of employees attended learning and development programmes

Measures to ensure the health and well-being of employees:

66% of employees in South Africa attended health and wellness programmes interventions

Performance consulting through regular individual and group reviews, pathing and development:

100% of employees engage in performance review processes every year

Leadership development programmes:

154 employees attended internal leadership development programmes

Resourcing and recruiting that prioritises a diverse workforce:

49% Female workforce

Facilitating an understanding of the Investec culture and people practices:

100% of employees participated in/were invited to one or more culture and values dialogues

Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD), which serve to enhance the ongoing people focus of our business. The Investec HR and dedicated Careers teams are mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

The HR division participates in local and international forums to ensure alignment of HR strategy with business strategy. As our operating jurisdictions have different legal and regulatory requirements, our various HR functions operate in a differentiated yet integrated way adhering to the group philosophical approach. Senior responsibility for people matters falls under Marc Kahn who is Global Head of HR and OD.

Investec South Africa has been voted second most attractive employer in the 2017 Universum Most Attractive Employer Awards.

universum

People strategy

To attract, retain, develop and motivate people who can perform extraordinarily

Our internal resourcing function forms an integral part of our broader talent management as it enables us to source and redeploy talent internally and, where required, to recruit externally to address any identified skills gaps.

We invest significantly in a number of opportunities for developing and upskilling employees and in leadership programmes to develop current and future leaders of the group. Our HR and OD teams play a critical role in assisting the business to achieve their strategic objectives, which are always then matched to learning strategy and market trends. They are also involved in group wide activities such as an induction programme for new employees, providing learning advice to individuals and facilitating the development of both group wide and bespoke learning programmes.

Industry competitive packages and long-term share awards

To retain and drive performance through appropriate remuneration and reward structures

Our remuneration practices comply with the principles of local regulations, while continuing to reward people meaningfully for performance and contribution.

Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance. In line with our philosophy of employee ownership, all employees across the organisation, are provided with staff share awards and the opportunity to participate in our long-term growth.

Further information is provided on pages 185 to 226.

100%
of employees engage in performance dialogues every year

To ensure that performance management is motivational and constructive

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between the leader and his or her team, to help individuals identify and address their development needs.

At Investec, performance is viewed within the context of relationships – the individual's relationships with others, the team, the business unit and the organisation as a whole. Meaningful relationships are functional, engaging, defined by quality conversations and are able to be leveraged to meet business objectives. Performance can only be meaningfully reviewed against business objectives, thus team and individual performance objectives must always be aligned to business objectives. Team and individual performance management has both appraisal and development components. The process has the following tenets:

- It is fair and honest, defined by dialogue that is both respectful and reflective of individual views and team perceptions;
- Driven by the employee and the leader;
- Involves ongoing, timeous feedback;
- Disciplined, responsible conversations.

Working at Investec

The policies and business practices of Investec are outlined in **Becoming Acquainted with Investec (BAWI)** and in the compliance handbook (both of which are available on the Investec intranet). These are intended to guide conduct and ensure our actions and attitude reflect the group's values and philosophies at all times.

10
Principles of the United Nations (UN) **Global Compact**

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

Human rights

The Investec group remains committed to the 10 principles of the United Nations (UN) Global Compact with respect to human rights, labour, environment and anti-corruption. Our culture and values demonstrate our belief that as an organisation we can have a positive impact on the success and well-being of local communities, the environment and on overall macro-economic stability. We support and respect the protection of internationally proclaimed human rights standards and are not complicit in any human rights abuses. We do not have a formal human rights policy for the group because this would fall within the ambit of our Code of Conduct which expresses our strong culture and values including unselfishly contributing to society, valuing diversity and respecting others. Furthermore, we adhere to the relevant laws in all our jurisdictions and strive to advance the UN principles within our sphere of influence.

We support the international agenda to abolish human trafficking, slavery, forced and child labour and welcome the legislated UK Modern Slavery Act 2015 (the 'Act'). Our philosophy as an organisation is to respect the dignity and worth of the individual. We uphold the constitutional rights of our employees at all times, do not practice forced or compulsory labour and do not employ children. We are committed to addressing the requirements of the Act and ensuring that our supply chain is compliant with the regulations prescribed therein.

Zero
trade unions

Freedom of association

We fully support employees' rights to freedom of association. There is no representative trade union for Investec and we are not aware of any employees who are part of a trade union. We do, however, uphold the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of choice.

Integrity and confidentiality are critical to our reputation and sustainability

Whistle-blowing policy and protected disclosures

One of Investec's values requires employees to conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Integrity and confidentiality are critical to our reputation and sustainability.

The purpose of our whistle-blowing policy is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution. We seek to protect all employees who disclose unlawful or irregular conduct by the company, its employees or other stakeholders.

Zero
incidents of discrimination

Discrimination

We endeavour to prevent and/or eliminate any form of discrimination-based on gender, race, religion, age and sexual preference (or any other basis as envisaged by the South African Bill of Rights in the Constitution or regional equivalents). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur.

Furthermore, there are several informal avenues for employees who wish to discuss concerns, e.g. OD, HR, employee relations and our independent external consultants.

64
occupational injuries

Zero fatalities

Health and safety

A group wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. Health and safety is overseen by a committee that meets quarterly to review any concerns.

This management comprises:

- Craig Gunnell – head of facilities South Africa
- Tony Grimes – head of facilities UK.

In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

66%
employees in South Africa participate in one or more employee wellness interventions

Employee wellness

Investec values the physical, financial and psychological health, welfare and safety of our people. We provide employees with a bespoke employee assistance and wellness programme. The comprehensive and integrated programme, which is an expression of our focus on care and concern for employees, provides personalised interventions offered in face-to-face counselling and coaching sessions. These interventions are provided by a multi-disciplinary team of select health and other professionals who are all specialists in their fields of practice. We also host wellness days for our employees to raise awareness and education around health issues through an interactive approach.

In line with our commitment to improving the quality of life of our employees, our leave entitlement and disability procedure have been reviewed and adjusted, taking into consideration the needs and well-being of our employees and current best practice in the marketplace.

Piloted activity-based working in our Gresham street head office

Creating an environment that reflects our culture

This activity-based working environment will enable cross collaboration across departments by providing dedicated facilities for specific activities and creating optimal circumstances to perform each type of activity (e.g. developing ideas, delivering content and sharing knowledge). This is supported by an effective virtual working environment with instant access to information and tools to collaborate with colleagues. This working space will further facilitate a culture of trust, empowerment and a shared sense of responsibility.

We anticipate replicating activity-based working in our new 30 Gresham street office building.

0.7%
employees retrenched in the last fiscal year

Retrenchment policy

Where it becomes necessary for Investec to terminate employment-based on operational requirements, the procedure to be followed will be in accordance with Investec's retrenchment policy which is more favourable than local regulatory requirements. We conduct consultation for a period which exceeds the minimum prescribed period, during which we attempt to find a suitable alternative position for the affected employee.

Learning and development

We invest significantly in a number of opportunities for the development of our employees and in leadership programmes to develop current and future leaders of the group.

Investec's HR learning and development team is mandated to develop and retain people who can perform extraordinarily in support of business objectives in a manner consistent with Investec's culture and values. Our business seeks extraordinary performance from its employees. To achieve this, we employ talented people and then enable their professional and personal growth and development.

We believe that employees should be the driving force behind their own development and should be proactive in identifying and addressing development needs, allowing them to maximise learning opportunities most relevant to their unique requirements.

	31 March 2017		31 March 2016	
Year ended	**£**	**R**	**£**	**R**
Southern Africa				
Asset Management	255 847	4 290 402	235 157	4 968 554
Wealth & Investment	678 659	11 380 718	421 580	8 907 423
Specialist Banking	13 777 983	231 048 929	8 434 662	178 213 327
Total	**14 712 489**	**246 720 049**	**9 091 399**	**192 089 304**
UK and Other				
Asset Management	751 355	12 599 796	711 840	15 040 244
Wealth & Investment	1 359 141	22 792 021	1 036 727	21 904 679
Specialist Banking	6 110 812	102 474 839	3 834 122	81 009 960
Total	**8 221 308**	**137 866 656**	**5 582 689**	**117 954 883**
Total group learning and development spend	**22 933 797**	**384 586 705**	**14 674 088**	**310 044 187**

Employee learning and development spend

£22.9mn

(2016: £14.7mn)

External learning

Investec's external learning policy applies to every external learning instance (for example public programmes, conferences, seminars and courses). The policy provides employees with development opportunities to enable the acquisition of knowledge and skills necessary for career development within Investec.

217 qualified CA's have graduated from the CA programme since inception

Internal learning

Our Internal learning programmes include induction, personal and interpersonal skills, technical and professional skills, leadership programmes and coaching as well as our learnership and CA trainee programmes.

470 bursaries granted to full-time employees in South Africa

Educational bursary scheme

Investec's educational bursary scheme provides employees with focused educational opportunities to enable the acquisition of qualifications.

Promoting equity and diversity in the workplace

51% 49%
male | female

A diverse workforce is essential to our ability to be an innovative organisation that is able to adapt and prosper in a fast changing world. We have various processes to encourage debate and dialogue around appreciating diversity and different cultures. Emerging and established leaders are invited to participate in discussions with the executive around all issues related to talent management and diversity.

Over **3 000** employees have participated in our Zebra Crossing and Woman in Leadership initiatives in South Africa since inception.

Our **Zebra Crossing** initiative in South Africa which is aligned to our employment equity plan, aims to raise levels of multi-cultural awareness of staff at Investec and enable them to appreciate and celebrate the richness of our diverse population and to take these insights back into the business.

In South Africa, we have a number of **Women in Leadership** initiatives and events where women, and men, at Investec get the opportunity to participate in the conversation around gender. Some of these also include external events where our clients and stakeholders are invited to participate. These rich and informative dialogues are helping us to create the appropriate environment for women in finance to thrive as leaders, as entrepreneurs and as important role models for the next generation.

20%

Women on our board currently

Investec is a member of the **30% club** in both the UK and South Africa and is committing to a goal of 30% women on the board.

Investec Inspire in the UK is the umbrella for Investec's employee-led diversity and inclusion programme, which is sponsored by senior executives. The first network that was developed under Inspire was our Gender Balance network, recognising that attracting, developing and retaining female talent, is very important at all levels of the business, and helping to ensure that everyone, regardless of gender, can thrive at Investec.

The Female Lead in the UK celebrates great achievements by women from all walks of life. The project is supported by Investec Private Bank, the founding partner, to prolong the impact and influence of the project. It celebrates the achievement of 60 leading entrepreneurs, business and political leaders and figureheads from culture, science and sport. The project continues with an education programme in UK schools and further profiling of inspirational women.

Employee gender composition – permanent employees

	Southern Africa			UK and Other			Total		
31 March 2017	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Executive directors									
Asset Management	–	–	–	1	–	1	1	–	1
Wealth & Investment	–	–	–	–	–	–	–	–	–
Specialist Banking	2	–	2	1	–	1	3	–	3
Total	**2**	**–**	**2**	**2**	**–**	**2**	**4**	**–**	**4**
Senior managers*									
Asset Management	124	75	199	62	21	83	186	96	282
Wealth & Investment	99	42	141	72	13	85	171	55	226
Specialist Banking	707	526	1 233	93	32	125	800	558	1 358
Total	**930**	**643**	**1 573**	**227**	**66**	**293**	**1 157**	**709**	**1 866**
Rest of employees									
Asset Management	327	546	873	222	172	394	549	718	1 267
Wealth & Investment	53	127	180	650	544	1 194	703	671	1 374
Specialist Banking	982	1 493	2 475	1 201	842	2 043	2 183	2 335	4 518
Total	**1 362**	**2 166**	**3 528**	**2 073**	**1 558**	**3 631**	**3 435**	**3 724**	**7 159**
Total	**2 294**	**2 809**	**5 103**	**2 302**	**1 624**	**3 926**	**4 596**	**4 433**	**9 029**

* *The categorisation of executive directors and senior managers are different for Southern Africa and the UK and Other due to the different regulatory guidelines of the respective geographies and hence cannot be compared across the group.*

Transformation in South Africa

In South Africa, Investec remains committed to black economic empowerment. Our approach involves:

- Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
- Serving as a leading source of empowerment financing
- Investing significantly in learning and development opportunities for both our employees as well as other South Africans
- Encouraging internal transformation by bringing about greater representivity in our workplace.

During the year we received a level 2 Financial Sector Code (FS Code) rating from Empowerdex. We continually strive to achieve 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 targeted black headcount at the senior, middle and semi-skilled levels and marginally missed the targets at the top and junior management levels. We met or exceeded the targets at every level for females with the exception of junior management. Our disabled headcount is over double what we targeted it to be and 84% of these individuals are black.

Recognising that enterprise and supplier development is vital to South Africa's transformation, we continue to run several initiatives to support black entrepreneurs. One example of this is an enterprise development programme, in partnership with Raizcorp, which incubates entrepreneurs who are managing their own business and have potential to grow and create jobs. The entrepreneurs selected for the programme are assigned a dedicated team of trained Raizcorp guides, who focus on key areas from strategy, finance, marketing, sales and personal development.

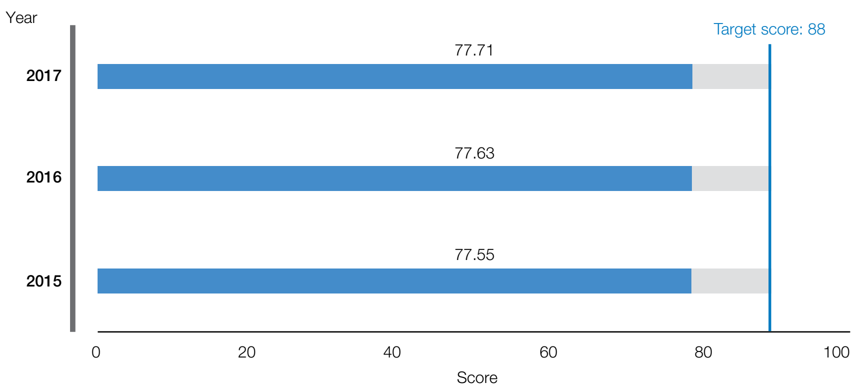
Khulasande Capital, a broad-base black owned and controlled private equity and investment vehicle, is a partnership between the IEP Group and the Entrepreneurship Development (ED) Trust. The ED Trust is a black charitable trust focusing on educational and entrepreneurial initiatives. Khulasande's aim is to participate in empowerment opportunities that are of benefit to the ED Trust and would create value for its beneficiaries. This partnership provides Khulasande with access to an experienced team with an extensive track record ensuring it can add value to its investee companies and help them grow and multiply.

South Africa is at a critical juncture in the history of transformation with a dire need for job creation and sustained 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.

Investec is committed to enabling South African Small, Medium and Micro Enterprises (SMMEs) and business professionals to become more globally competitive. In pursuit of this goal, and in partnership with En-novate, we take entrepreneurs on trips to innovation hubs around the world, exposing them to the latest technologies and best business practices. Given that the trips are developmental in nature, we encourage the participation of young entrepreneurs who belong to groups that were previously excluded from the economy.

The empowerment financing element of the FS Code comprises targeted investments and BEE transaction financing. Targeted investments comprise of debt financing, credit extensions or equity investment in South African projects, in areas where gaps or blockages in economic development and job creation have not been adequately addressed. This includes transformational infrastructure, agricultural development, affordable housing and black SMEs. BEE transaction financing includes all transactions for the acquisition, by black people, of direct ownership in an existing or new entity (other than an SME) in the financial or other sectors of the economy. It also includes joint ventures, with debt financing or other forms of credit extension to, and equity investments in BEE companies (other than SMEs), which are at least 25% black owned. Investec spent a total of R10 billion on empowerment financing initiatives during the year ended 31 March 2017. The majority of this (R7.7 billion) was on transformational infrastructure and on black SMME funding.

Transformation rating



Our communities

Our Corporate Social Investment (CSI) endeavours are central to the group's values of making an unselfish contribution to society, nurturing an entrepreneurial spirit, valuing diversity and respecting others, and underpin Investec's aim of being a responsible corporate citizen. Our approach to CSI focuses on education, entrepreneurship and the environment. We believe this to be the most effective way to create opportunities for employment, wealth creation and stimulating socio-economic growth.

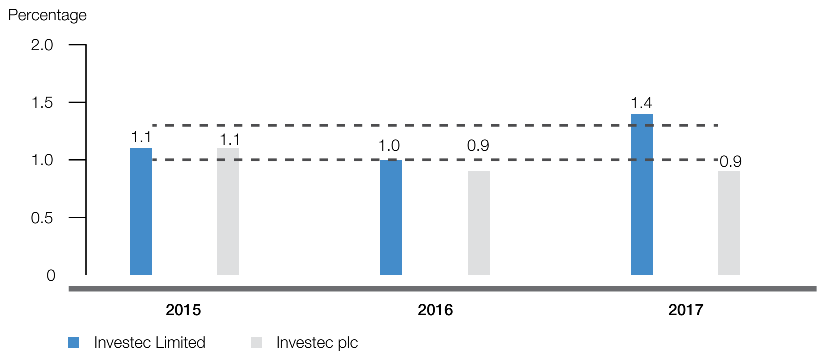
In keeping with our business model of independent, highly autonomous business units, supported by a strong centre, there is no single overriding approach to social investment within the group, although clear commonalities exist. Each of the regions has pursued social investment as deemed appropriate to their circumstances and where they are in the evolution of their business.

Wherever possible, we seek to collaborate with partners, so as to leverage resources and expertise and help ensure a lasting impact as well as long-term sustainability for our projects.

The active involvement of our people, through volunteering, remains at the core of our social investment strategy. We have many well-established charitable partnerships and volunteering initiatives to support these partners. Further, we make donations to charities in response to requests for assistance across all regions and business areas within the group. This allows us to allocate meaningful grants in areas which might not fall within our main focus areas.

We target between
1.0% and **1.3%**
CSI spend as a
% of operating profit*

CSI spend as a % of operating profit*



Year ended	31 March 2017 £	31 March 2017 R	31 March 2016 £	31 March 2016 R
Southern Africa				
Asset Management	11 354	190 406	70 074	1 480 565
Wealth & Investment	70 472	1 181 771	44 410	938 315
Specialist Banking	628 016	10 531 476	233 769	4 939 234
Group Corporate Social Investment	4 411 031	73 970 474	2 971 847	62 791 224
Total	**5 120 873**	**85 874 127**	**3 320 100**	**70 149 338**
UK and Other				
Asset Management	395 735	6 636 250	110 523	2 335 206
Wealth & Investment	74 877	1 255 645	46 063	973 251
Specialist Banking	372 564	6 247 681	283 458	5 989 095
Group Corporate Social Investment	1 089 898	18 276 968	1 134 501	23 970 515
Total	**1 933 074**	**32 416 544**	**1 574 545**	**33 268 067**
Total Investec CSI spend	**7 053 947**	**118 290 671**	**4 984 645**	**103 417 405**
Total Investec CSI spend as a % of operating profit*	**1.2%**		**1.0%**	

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

UK and Other

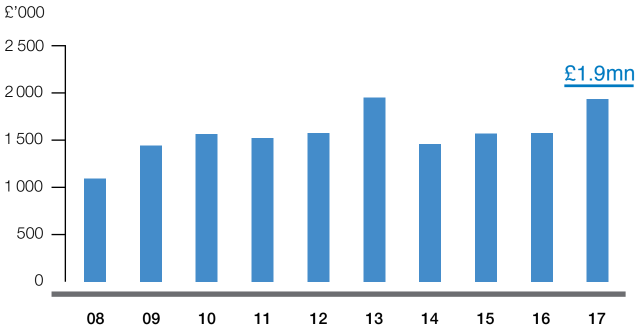
Our approach in the UK includes:

- Focusing on education, entrepreneurship and the environment
- Facilitating employee volunteering with local community partners
- Granting donations to small local charities
- Encouraging employee fundraising endeavours through organised events and employee charity funding
- Providing a Give-As-You-Earn facility to encourage employee payroll giving.

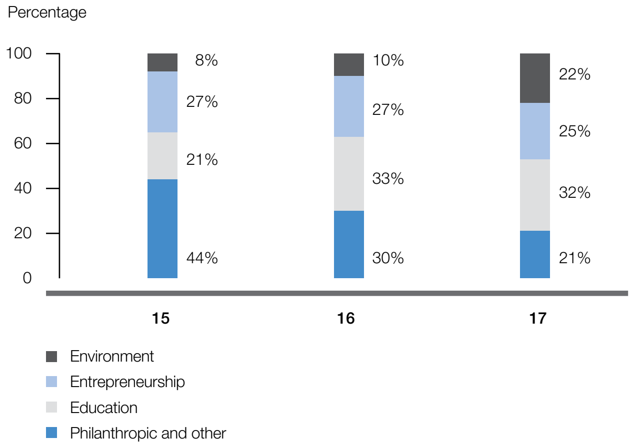
We champion corporate responsibility by:

- Building dedicated charitable partnerships
- Harnessing our diverse resources and collective talent; and
- Engaging all of our people in making a positive difference.

CSI spend Investec plc



CSI spend by category (%)



77% increase in CSI spend since 2008

£15.7mn Spend on CSI initiatives in the last 10 years

Highlights

Investec won 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. Since we partnered in 2008 the programme has launched 44 new social enterprises, with a combined annual turn-over of £2.3 million and created 250 new jobs. Since 2011 when we became the sole funder of the programme, 90% of enterprises we helped to launch have gone on to trade into their third year.

Winner –
Business in the Community's Responsible Business Awards 2016

Investec won the National CSR Awards, in the Individual Community (Legacy) category, and is a finalist in the Business Charity Awards 2017, in the Community Impact category, for the Beyond Business Programme. Expert guidance from within Investec resulted in the charity retaining 5% in each of the launched enterprises, helping to strengthen the sustainability of the programme – alumni may repurchase the stake for the original seed-funding amount. In 2016, this funded one additional enterprise to launch.

Winner –
National CSR Awards

Over 120 Investec volunteers from across our London offices worked closely with youth talent development social enterprise, Arrival Education, helping to raise aspirations and to develop mind-sets and skills for students from difficult backgrounds to achieve success. 95% of stage 4 graduates went on to full-time work or higher education. 63% of the group went on to University, of which, 42% obtained a place at a Russell Group university. A further three candidates, introduced to us through these programmes, have joined the Investec workforce (bringing the total in the last two years to five), a victory for social mobility, which coincides with increasing internal support of employee-led diversity initiative, Investec Inspire.

Arrival education:
95%
of stage 4 graduates went on to full-time work or higher education

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We hosted the sixth Morpeth Secondary School Young Apprentice skills development and work experience programme for select Year 9 pupils. The group was chosen from diverse backgrounds with the school often targeting certain students because they were feared to be at risk of disengaging from education. Following the programme, 93% of pupils reported developing important life skills. 100% are going on to take one or two GCSE exams early and all predictions for the coming year are C or higher, with 46% being predicted an A or A*.

Morpeth Secondary School Young Apprentice:
46%
being predicted an A or A in the GCSE exams*

Our people spent over 4 900 hours supporting community organisations local to our offices. Investec's payroll giving infrastructure enabled them to donate in excess of £485,000 to charity, directly from their salaries. We supported them to fund raise at least £34,000 for Investec supported initiatives and recognised their own personal fundraising endeavours (over £71,100), by donating an additional £25,900 to their chosen causes.

Volunteering:
4,900 hrs
spent supporting community organisations

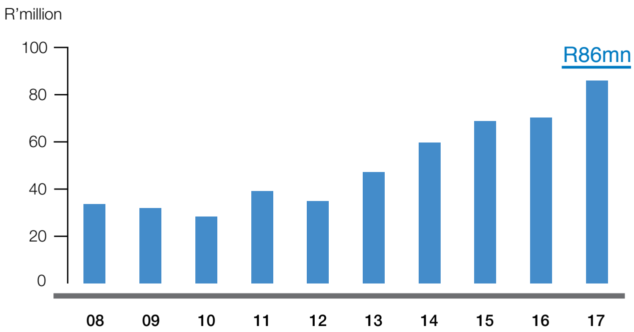
Southern Africa

Our strategy in South Africa focuses on the support and empowerment of talented individuals within a defined continuum of interventions through school and university to the workplace.

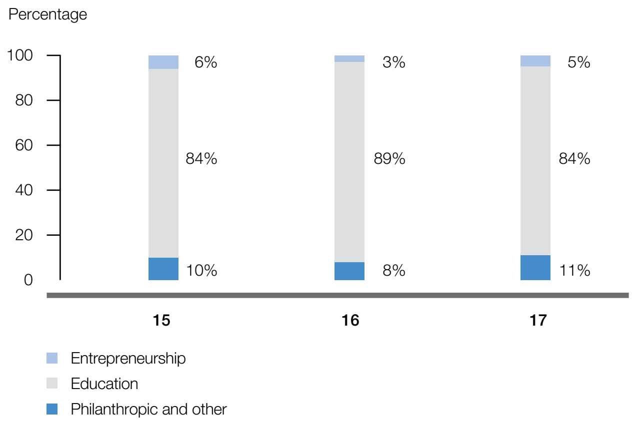
Our objectives are twofold:

- To facilitate an increase in the number of entrepreneurially-minded matriculants as well as those with a decent pass in English, Mathematics and Science and, who have an aspiration to proceed beyond matric
- To facilitate access to quality tertiary education.

CSI spend Investec Limited



CSI spend by category (%)



156% increase in CSI spend since 2008

R499mn Spend on CSI initiatives in the last 10 years

Southern Africa pipelines of interventions

The illustration below shows how various components of our strategy form a pipeline of interventions starting at high school and progressing to the workplace.

High school

Mathematics and Science
Entrepreneurial thinking
Exposure to careers

Tertiary

Access to tertiary education
Support performance

Workplace

Transition to workplace
Invite as alumni

Highlights

In line with our strategy, a total of 89% of South Africa's CSI spend was allocated to education and entrepreneurial initiatives:

Our flagship educational programme, Promaths, is aimed at supporting the education system by generating students who are competent in Mathematics and science. The programme provides extra tuition in Mathematics and Science to learners in grades 10 to 12 at selected schools across the country. Investec currently funds eight centres across the country.

Funding
8
Promaths centres across the country

In 2016, Promaths 11th year of operation, the Investec funded Promaths centres continued to do well across the country. The eight Investec funded centres across the country produced 263 distinctions in Mathematics and 288 in Science.

263
distinctions in Mathematics and
288
distinctions in Science

In early 2017, the Promaths Bursary Fund was launched, where Investec allocated an initial capital of R5 million to establish the fund.

R5mn
initial capital allocated to Promaths Bursary Fund

The Investec bursary programme currently has 115 bursary recipients from first year to honours level. Last year saw 16 of our bursary recipients graduating and entering the world of work, bringing the total number of our ex-bursary holders who are now professionals and part of our alumni to 123.

Investec Merit Awards allocated 17 new merit awards in the 2016 academic year.

115
bursary recipients
17
new merit awards

We believe that more can be achieved through successful partnership with staff hence the effort to encourage our staff members to take a keen interest in and participate in volunteering initiatives.

Volunteering: spent over
3,420 hrs
supporting our communities

Our clients

At Investec, we pride ourselves on giving our clients an extraordinary experience. Interaction can be through a dedicated Investec consultant, our world-class 24/7 Global Client Support Centre or our innovative digital platforms.

Up by

80%

Since the launch of One Place the number of investors with Wealth & Investment Online is up by 80%

Technology enhancements

Investec One Place

One Place is a continuation of Investec's strong client-centred service culture. Through the collaboration of Private Banking and Wealth & Investment we now offer our clients integrated access to banking and investment services, both locally and internationally, all in One Place. Since the launch of One Place:

The number of investors with Wealth & Investment Online is up by	Assets under Administration with Wealth & Investment Online is up by	Assets under Management with Wealth & Investment Online is up by	Online Portfolio Manager has a Private banking and Wealth & Investment client base overlap of (AUM)
80%	65%	220%	31%

Providing voice biometric authentication for our clients

Voice recognition

We are the first financial institution in South Africa to provide a voice biometric authentication method to our clients.

Investec philanthropy services

Investec recently launched Investec philanthropy services within our Wealth & Investment business. This initiative offers advisory services to individuals, families, businesses and non-profit organisations with the aim of maximizing their philanthropy objectives and achieving the most positive social impact with their charitable investments. Largely South African-based, Investec philanthropy services currently support a number of private charitable foundations. The focus areas of the foundations vary, and include education, healthcare, welfare, social justice, the environment and conservation and animal welfare. An important service is the provision of due diligence on a non-profit organisation prior to the making of a grant. This is to ensure that the private foundations we look after support sustainable and effective organisations.

With regard to non-profit organisations, which are clients of the Wealth & Investment business, we also provide services which include guidance on structuring, legal, tax and corporate governance issues.

Wealth & Investment Educational Trust

The Wealth & Investment Educational Trust is being created as a vehicle for contributions to support and provide programmes addressing the needs in education in various capacities in South Africa. The Trust is in the process of applying for its Public Benefit Organisation status and Section 18A.

Our planet

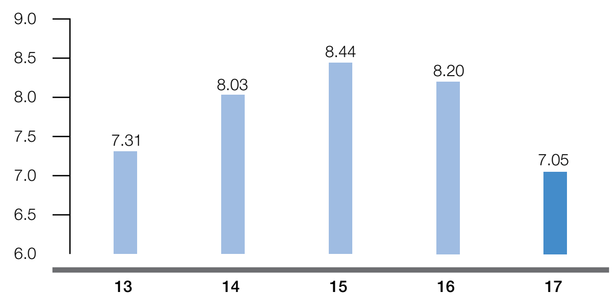
Investec's environmental policy takes into account the challenges that climate change presents to the global economy and we will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet. We believe that as a niched specialised financial services organisation, and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change.

As a niched specialist financial services organisation with a small physical presence, the direct environmental and social impacts of Investec's daily operations are limited. In recognising that we have a responsibility to understand and manage our wider environmental and social footprint, our environmental policy states:

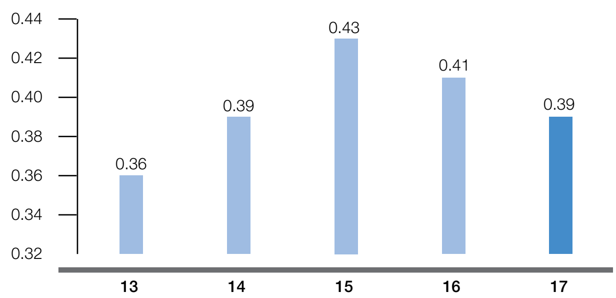
- Internally, we focus on creating awareness and encouraging positive sustainability behavioural change
- Externally, we are increasingly incorporating environmental considerations into our daily operations
- We recognise the opportunities for our clients and businesses in cleaner and renewable energy sources, energy efficiency and responsible lending and investing.

Strengthened our global lending policy to incorporate environmental risk considerations in our daily operations

Emissions per average employee



Emissions per m² office space



We continue to drive awareness about our direct operational impacts. Over the past 5 years we have not seen significant changes in our intensity indicators. In 2015 we enhanced our data collection processes to cover a broader scope of our operations. Since then we have reduced our emissions per average employee and emission per m^2 office space even further with electricity reduction initiatives. We have also reduced our travel emissions through continuous collaboration through video conferencing and effective leveraging of international teams.

Direct environmental impact

Our respective carbon footprints have been calculated according to the international Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition). Data has been gathered in line with our requirements of the CRC Energy Efficiency scheme. We use the operational control method to determine what is included in our scope of reporting.

Materiality set at a group level was 5% with all facilities estimated to contribute >1% of total emissions included.

Assessment parameters

Consolidation approach	Operational control
Emission factor data source	DEFRA (2016) and IEA
Intensity ratio	Emissions per full-time employee Emissions per office space m^2
Independent assurance	Limited assurance provided by KPMG

Carbon footprint for the group

			31 March 2017		31 March 2016		
		Units	Tonnes of CO_2 equivalent	Consumption in unit of measure	Tonnes of CO_2 equivalent	Consumption in unit of measure	Variance in tonnes CO_2 equivalent
Scope 1			**1 710**		**1 813**		**(5.6%)**
Energy	Natural gas	kWh	431	2 341 511	445	2 411 761	(3.1%)
	LPG stationary	L	36	23 978	13	8 663	>100%
	CO^2 purchase	kg	–	452	–	–	–
	Diesel	L	268	102 395	248	91 686	8.5%
Refrigerant	Refrigerant	kg	766	404	891	231	(14.0%)
Employee travel	Vehicle fleet	km	209	1 092 169	216	1 131 072	(3.2%)
Scope 2			**35 192**	**43 407 612**	**36 683**	**43 404 040**	**(4.1%)**
Energy	Electrical energy consumption	kWh	35 192	43 407 612	36 683	43 404 040	(4.1%)
Scope 3			**27 604**		**31 509**		**(12.4%)**
Paper	Paper consumption	t	499	506	612	266	(18.5%)
Waste	General waste	t	15	47	39	77	(61.5%)
Employee travel	Rail travel	km	128	2 675 459	98	2 215 447	30.6%
	Road business travel	km	248	1 325 898	248*	1 317 622*	–
	Taxi	km	32	175 321	51	190 996	(37.3%)
	Commercial airlines	km	26 682	75 891 968	30 461	77 334 920	(12.4%)
Total emissions			**64 506**		**70 005***		**(7.9%)**
No scope							
Water	Water consumption	kl		115 372		123 857	
Recycled waste	Recycled waste	t		793		934	
	Renewable fuel derived from natural oils	L		576		–	
Intensity							
Total average employees (including temporary employees and excluding Investec Import Solutions employees)				9 155		8 522	
Emissions per average employee				7.05		8.20	
Emissions per m^2 office space				0.39		0.41**	
Water consumption per average employee				12.60		14.53	

* *Restated.*

** *m^2 office space for 2016 was restated.*

For more information refer to the 2017 corporate responsibility report on our website.

Carbon footprint for UK and Other

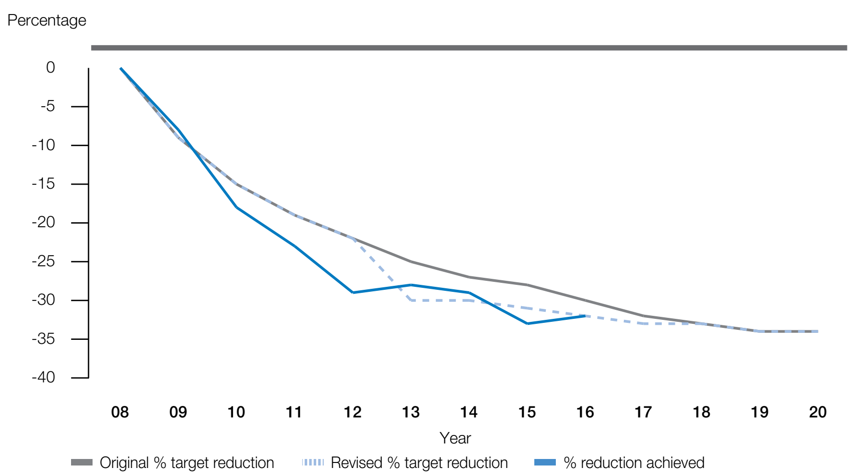
		Units	31 March 2017 Tonnes of CO_2 equivalent	31 March 2017 Consumption in unit of measure	31 March 2016 Tonnes of CO_2 equivalent	31 March 2016 Consumption in unit of measure	Variance in tonnes CO_2 equivalent%
Scope 1			**525**		**497**		**5.6%**
Energy	Natural gas	kWh	431	2 341 511	445	2 411 761	(3.1%)
	Diesel	L	2	600	–	600	>100%
Refrigerant	Refrigerant	kg	92	52	52	29	76.9%
Scope 2			**6 250**	**14 672 879**	**6 658**	**14 134 778**	**(6.1%)**
Energy	Electrical energy consumption	kWh	6 250	14 672 879	6 658	14 134 778	(6.1%)
Scope 3			**13 019**		**14 911**		**(12.7%)**
Paper	Paper consumption	t	387	387	306	120	26.5%
Waste	General waste	t	6	26	9	11	(33.3%)
Employee travel	Rail travel	km	128	2 675 459	98	2 215 447	30.6%
	Road business travel	km	193	1 034 080	182*	964 022*	6.0%
	Taxi	km	32	175 321	51	190 996	(37.3%)
	Commercial airlines	km	12 273	33 942 801	14 265	34 787 724	(14.0%)
Total emissions			**19 794**		**22 066***		**(10.3%)**
No scope							
Water	Water consumption	kl		30 810		28 666	
Recycled waste	Recycled waste	t		522		780	
Intensity							
Total average employees (including temporary employees)				4 017		3 799	
Emissions per average employee				4.93		5.81*	
Emissions per m² office space				0.37		0.39	
Water consumption per average employee				7.67		7.55	

Data has been gathered in line with requirements of the CRC Energy Efficiency Scheme in the UK. We use the operational control method to determine what is included in our scope of reporting. Materiality set at a group level was 5% with all facilities estimated to contribute >1% of total emissions included. The GHG report is the same as our carbon footprint report.

* *Restated.*

For more information refer to the 2017 corporate responsibility report on our website.

UK energy reduction target



Our 2 Gresham street office in the UK, comprising 9.8% of the group floor space set an electricity reduction target of 34% by 2020, with 2008 as a base year.

Energy reduction 32%

Corporate responsibility

(continued)

Highlights for the UK and Other

- The UK's head office Energy Management System (EnMS) remains certified to the international environmental standard ISO14001
- In 2016 our environment programme was further embedded in our regional offices.

Our EnMS remains ***ISO14001*** *certified*

- 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
- Commended by the City of London's Environment Group for the disposable free Fridays initiative.

Won ***10th*** *platinum award for best practice in waste management*

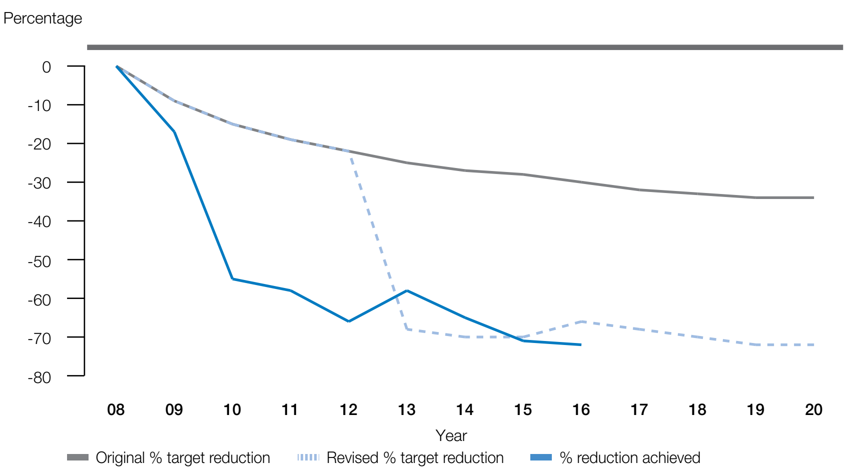
- Our air quality campaign reached 2 518 employees and 3 227 air pledges made
- The UK's head office Energy Management System remains certified to the Energy Reduction Verification Kitemark. We have to date, saved approximately £2.2 million in this office by switching off unnecessary electricals.

Certified: Energy Reduction Verification kitemark

- The UK's head office bottled their own pure drinking water refilling 29,595 litre bottles
- We continue to encourage active travel amongst our staff and run Cycling to Work schemes
- We continue to mitigate our carbon footprint from travel and recently entered into two strategic partnerships.

Bottled our own pure drinking water

UK gas reduction target



Our 2 Gresham street office in the UK, comprising 9.8% of the group floor space set a revised gas reduction target of 72% by 2020, with 2008 as a base year.

Gas reduction *72%*

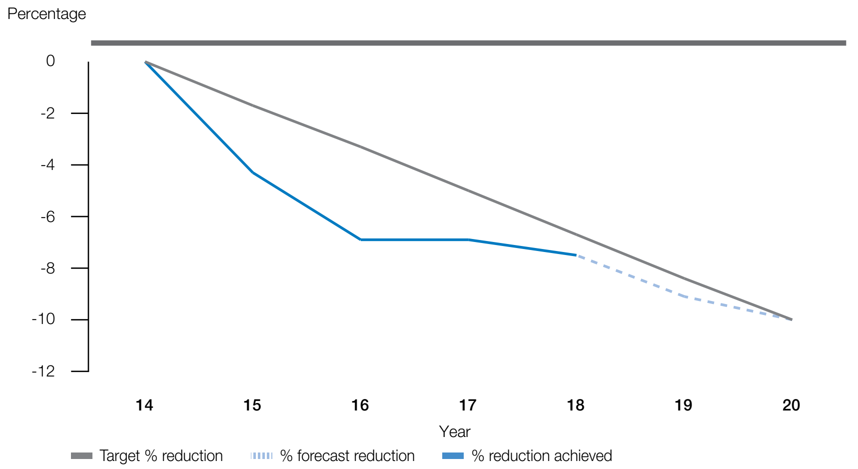
Carbon footprint for South Africa

		Units	31 March 2017 Tonnes of CO_2 equivalent	31 March 2017 Consumption in unit of measure	31 March 2016 Tonnes of CO_2 equivalent	31 March 2016 Consumption in unit of measure	Variance in tonnes CO_2 equivalent
Scope 1			**1 185**		**1 315**		**(9.9%)**
Energy	LPG stationary	L	36	23 978	13	8 663*	>100%
	CO_2 purchased	kg	–	452	–	–	–
	Diesel	L	266	101 795	247	91 086	7.7%
Refrigerant	Refrigerant	kg	674	352	839	505	(19.7%)
Employee travel	Vehicle fleet	km	209	1 092 169	216	1 131 072	(3.2%)
Scope 2			**28 942**	**28 734 733**	**30 025**	**29 269 262**	**(3.6%)**
Energy	Electrical energy consumption	kWh	28 942	28 734 733	30 025	29 269 262	(3.6%)
Scope 3			**14 485**		**16 598**		**(12.1%)**
Paper	Paper consumption	t	112	119	306	146	(63.4%)
Waste	General waste	t	9	21	30	66	(70.0%)
Employee travel	Road business travel	km	55	291 818	66	353 600	(16.7%)
	Commercial airlines	km	14 409	41 949 167	16 196	42 547 196	(11.0%)
Total emissions			**44 712**		**47 938**		**(6.7%)**
No scope							
Water	Water consumption	kl		84 562		95 191	
Recycled waste	Recycled waste	t		241		154	
	Renewable fuel derived from natural oils	L		576		–	
Intensity							
Total average employees (including temporary employees and excluding Investec Import Solutions employees)				5 138		4 723	
Emissions per average employee				8.70		10.15	
Emissions per m^2 office space				0.40		0.43*	
Water consumption per average employee				16.46		20.15	

* *Restated.*

For more information refer the to 2017 corporate responsibility report on our website.

South Africa energy reduction target



We have set an energy reduction target of 10% by 2020, with 2014 as our base year.

Energy reduction 6.9%

Highlights for Southern Africa

6.9% reduction in energy since 2014. In spite of significant growth in occupied office space (two additional floors in Sandton) and growth in staff headcount (8% for South Africa) there is good progress towards achieving a 10% reduction in energy by 2020 on the 2014 baseline.

6.9%
reduction in energy

Spent approximately R5 million during the year on consolidation and modernisation of electrical infrastructure.

R5mn
spent on consolidation and modernisation of electrical infrastructure

---

Team Green hosted an Out of the Ordinary e-waste campaign using art to raise awareness of responsibly disposing of electronic waste.

Raised awareness around
e-waste campaign

Investec staff joined millions of people across the world who switched off their lights for Earth Hour on Saturday 25 March 2017 at 20:30.

Participated in
Earth Hour

Investec Rhino Lifeline continues its strategy to raise awareness and over R12.0 million has been spent in the past four years on the education of youth as well as rescue and demand reduction initiatives. More than 66% of this spend has been specifically on education with more than 6,400 children being reached through a rhino conservation programme since inception. In 2017, we expect to reach another 5,200 children with this fun educational conservation programme.

R12mn
spent on Rhino Lifeline since inception

Conservation

Conservation in South Africa

The desire to make a meaningful contribution to the world we live in is at the heart of Investec's values. Given Investec's African heritage, we are passionate about ensuring the continued existence of a number of African species. We therefore fund a number of biodiversity projects which help to ensure the sustainable existence of South Africa's rich wildlife. These include:

- Investec Rhino Lifeline which raises awareness of South Africa's rhino crisis
- Endangered Wildlife Trust (EWT) Carnivore Conservation programme which conserves South Africa's wild dogs. We have renewed our support of this programme in the last financial year
- BirdLife South Africa which minimises the impact of renewable energy projects on birds and their habitats.

Conservation in UK and Other

Tusk is a charity established in response to an urgent need to halt the decline in Africa's natural heritage and build a sustainable future for the people and wildlife of the continent. Now in its fifth year, we developed the annual Tusk Conservation Awards in partnership with Tusk and HRH The Duke of Cambridge, Royal Patron of Tusk. These awards not only acknowledge the contribution made by extraordinary people towards conservation, but also aim to raise global awareness around both the immediate and long-term challenges facing our natural world.

Sustainable finance and investment

Investec has a holistic approach to sustainability which is not limited to our daily operational activities but rather includes our many impactful corporate social investment programmes and is based on a broader corporate responsibility to the environment and society. We believe that the most meaningful contribution Investec can have is through responsible financing, investing and supporting businesses involved in renewable energy. Accordingly, social and environmental risk considerations are implicit in our values, culture and code of conduct and are applied as part of our environmental and social risk framework. There is also oversight by the social and ethics committee (executive committee) on social and environmental issues.

In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

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

Power and infrastructure

We require that all power and infrastructure-related projects comply with applicable environmental, planning, labour and procurement law and do not fund or invest in projects which do not have acceptable environmental impact assessments, do not comply with procurement and labour laws, and either do or could reasonably be expected to breach acceptable behavioural, ethical or moral standards. We target transactions in countries with established laws that comply with World Bank Standards and that have due processes that are applied reasonably and effectively. If not, sponsors and suppliers are obliged to give undertakings and compliance with such standards. In addition, we have now designed an internal framework to provide enhanced procedures to evaluate and actively avoid, manage and mitigate the potential social and environmental impacts of the projects proposed.

- Winner – IJ Global African Renewables deal 2016 Award for the Kathu Solar Park Concentrated Solar Power (CSP) project in South Africa
- Winner – SERAS awards for the best company in affordable and clean energy
- Participation in the renewable energy sector: £1.8 billion
- Participated in 11 renewable energy sector projects (solar, wind, energy from waste).

Responsible property management

Investec Property Fund (which is managed by Investec Property and 27.86% owned by Investec Limited), actively explores sustainable business development. Sustainability is a key focus area for the Fund which includes improving the stability of electricity and water supply for clients while attempting to manage the increasing cost of occupation where possible. The Fund tracks and benchmarks consumption across the portfolio in order to identify energy efficiency opportunities and monitors improvements.

The Fund introduced a pilot solar project on the rooftop of Fleurdal Mall in Bloemfontein to reduce the cost of electricity. The project went live on 1 November 2016. It also provides grid stability and energy security and will alleviate down-time for clients in the event of load – shedding, producing 20% of the mall's energy requirements. This project has resulted in the roll-out of a similar project at Musina Mall. The technology will continue to be rolled out across feasible building and assist in reducing the cost base of the Fund as well as the cost of occupation for clients.

The Fund will continue with the roll-out of sustainability initiatives through a comprehensive two-year programme involving further capital investment. In addition to the direct capital spend on the properties, the majority of which is expected to be value enhancing through returns on investment for the Fund and improved efficiencies for its clients, the Fund is engaging in the process of obtaining ratings from the Green Buildings Council for certain of its properties.

The Fund has initiated a new project known as AMP, as an enterprise supplier development hub, where it initially will be partnering with 10 – 15 black-owned small and medium enterprises in the industries that provide services to the property industry. The initiative seeks to develop small businesses by providing the capital to install offices, subsidising rental levels, upskilling of the entrepreneurs and providing preferential payment terms.

The Fund's current BEE rating is level 3 with the next rating scheduled for October 2017.

- Piloted a solar rooftop project
- AMP (enterprise supplier development hub) partnering with 10-15 black owned SME's
- BEE rating level 3.

Our role as a global asset manager

In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. The essential purpose of our work is to preserve and grow the real purchasing power of the assets entrusted to us by our clients over the long term. In fulfilling this purpose we will assume a stewardship role over the assets, including the effective exercising of their ownership rights. We monitor, evaluate and, if necessary, actively engage or withdraw capital to preserve or add value to our clients' portfolios.

As a fiduciary of our clients' money, it is our legal obligation to make sure we consider all material risks and opportunities to our investments which include those of an environmental, social and governance (ESG) nature. Our approach and commitment to this priority is outlined in our Stewardship Policy and is overseen by our internal Investment Governance Committee (IGC) which includes senior leaders from around the business such as our CEO, CIO's, Head of Legal and Investment team heads. We are also a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI), the UK Stewardship Code and Code for Responsible Investing in South Africa (CRISA). We are investor signatories of the Carbon Disclosure Project and their Carbon Action initiative, which calls for business to monitor the cost-effective management and reduction of carbon emissions. We are also involved in a few other advocacy organisations which allows us to better engage on issues of active ownership on a global scale with other investors.

Deliver on our clients' mandates

Preserve and grow the real purchasing power of the assets entrusted in us

Consider all material risks and opportunities to our investments

Signatory of the United Nations-supported Principles for Responsible Investment (UNPRI), the UK Stewardship Code and Code for Responsible Investing in South Africa (CRISA)

While all teams follow the fundamental principles of our stewardship policy, the manner in which Investec Asset Management (IAM) plays an active ownership role will be determined by an assessment of the costs and benefits to our clients as well as the particular nature of the investment strategy. Any strategy of intervention in terms of active ownership will be subject to portfolio decisions on whether to remain invested in the company, with the protection and enhancement of the value of client portfolios being the central objective. Each investment team develops their integration strategies following a framework touching on five key areas: investment universe, fundamental analysis, portfolio construction, engagement and reporting.

Fundamental principles included in our Stewardship Code

For more details on the IAM stewardship policy visit the website: www.investecassetmanagement.com

The majority of strategies currently integrate ESG analysis at a fundamental analysis stage where they form a qualitative, quantitative or a mix of both account for material ESG issues. Currently, we source company ESG analysis from a number of sources, including external service providers. These sources allow us to build a view of how well the companies are identifying, manage and plan for these long-term issues. Ultimately the ESG view is in-house and not externally sourced from a third-party provider. Once we become a holder of the equity or bond we become active owners and engage with the company or issuers as necessary to make sure the management of the risks are of a high standard and minimise any risks of future events that may destroy value.

We believe it is important to not only manage our clients' assets in a responsible manner but also to proactively engage our clients and stakeholders on the subject of sustainability. We recognise that the sustainability imperative means that we have a responsibility and opportunity to lead the conversation around sustainable development and encourage our clients on their journey towards more sustainable long-term investing.

Integrate ESG analysis at a fundamental analysis stage

Proactively engage our clients and stakeholders on the subject of sustainability

Information technology (IT)

Our vision is to continuously deliver efficient and effective information technology that meets the needs of the business facilitating excellent client service, within acceptable risk tolerance.

The key principles underpinning our strategy are:

- Align architecture across the group
- Reduce our application and data footprint
- Commoditise common functions and processes
- Leverage our digital offering
- Continue to improve our security.

Key infrastructure-related developments reducing our environmental footprint during the period include the following:

- Continuous collaboration through Video Conferencing (VC), Audio Video (AV) and our Telepresence implementation across geographies, ensures effective leveraging of international teams and reduces business travel costs
- Virtualisation has continued to realise significant benefits relating to data centre footprint reduction; with 90% of all servers now virtualised. Storage technologies have been refreshed in South Africa, which has reduced the data centre storage footprint by 80%, allowing for further reclamation of data centre floor space. These initiatives have resulted in reducing the number of machine rooms in the Grayston Drive building from three to one, reducing the cooling and electricity requirement. The new platform requires only about a tenth of the power
- Efficient power consumption at the Midrand Alternative Processing Site (MAPS), in South Africa, continues with the automation of hibernation of desktop equipment during periods of low usage
- Wherever feasible, the use of cloud-based services continues to be a major consideration across all geographies and businesses in an effort to reduce physical infrastructure and energy requirements. This has been achieved in five different geographies.

Continuous collaboration through Video Conferencing (VC)

90% of all servers now virtualised

Continue with the automation of hibernation

Use of cloud-based services

Key infrastructure-related developments improving our IT efficiency during the period include:

- The implementation of a Software Asset Management (SAM) toolset continues to yield results in optimal licensing levels and effective commercial negotiations across the group
- Database infrastructure clustering resulting in a reduced hardware footprint and the subsequent reduction in power and cooling requirements (we reduced our physical database servers from 78 to 40)
- The design of our new premises in London seeks to optimise energy requirements and be as environmentally friendly as possible
- In preparation for the 2 Gresham Street move in London, an ‘activity-based working’ pilot is underway to prepare us for a new working environment. This together with new technologies, will enable staff to be more mobile and productive
- As part of the 2 Gresham Street move, the data centre will be moved to a purpose built, energy efficient centre outside of London.

Reduced physical database servers from 78 to 40

New premises in London seeks to optimise energy requirements

Key business application-related developments:

- Our strategy to become an internationally focused client-centric organisation continues
- Continued consolidation and merging of technology and support teams across divisions, and in some cases geographies, is gaining momentum
- Reduction in physical media (paper / printing / physical filing) as a consequence of business process automation and content management technologies
- Coding, data and processing optimisation continues as well as enhancing the client service offerings thereby reducing the immediate need for additional people and infrastructure to scale the business
- The One Place initiative continues to focus on the elimination of duplicate and redundant business processes across divisions and geographies to deliver an appropriate cost-effective, global, client-friendly service through our client support centre in South Africa
- Our One Place digital offering now includes full transactional capability for Wealth & Investment South Africa and UK, Private Banking South Africa and UK, Private Bank Channel Islands and view only capability for Wealth & Investment Switzerland and Channel Islands
- Our digital platforms have been introduced into the UK Banking and UK Wealth & Investment client base, leveraging infrastructure, software and people
- The digital platform in South Africa has been enhanced to allow clients to incorporate externally held transactional accounts, investments and loyalty programmes to complete a One Place solution. This functionality has recently been rolled out for use in the UK
- Online Apply (eliminating paper) for a suite of banking and savings products in both South Africa and the UK is available to clients. Major initiatives in both South Africa and UK include a robo-advisor (automated online financial advisor) and Digital Briefcase to further enhance processes
- Wealth & Investment South Africa has leveraged its existing Share Plan platform already developed for the South African market. The Share Plan platform for the UK market has been developed, and will be maintained, by Wealth & Investment South Africa
- Corporate and Institutional banking in South Africa and UK are rolling out an e-commerce platform, which will cater for transaction, investment and dealing capabilities and reduce the current point to point footprint globally. The payments architecture in the UK will be consolidated on the unified target architecture
- In the UK, the drive to digitise our private banking and mortgage business remains a high focus area. We are developing our digital and CSC channel capabilities to increase our client engagement, through optimal technology investments that increase our operational efficiencies as we grow
- In South Africa, property valuations below a specific value are automated, drastically reducing turnaround times and eliminating the need to physically visit property sites. Private bank credit processes are being automated to improve and simplify downstream processes
- The Mann Island finance business in Liverpool continues to modernise their technology capabilities, the most recent being the adoption of online and mobile capabilities
- In the UK, CRM in the cloud was achieved, further enabling the business to put the client in the centre using both a high tech and high touch approach, ensuring a robust and scalable platform
- Investec Australia and Ireland are leveraging off the use of the UK trading and lending platforms.

Continued consolidation and merging of technology and support teams

The One Place initiative continues to focus on the elimination of duplicate and redundant business processes

Online Apply (eliminating paper) for a suite of banking and savings products in both SA and the UK is available to clients

In the UK, the drive to digitise our Private Banking and Mortgage business remains a high focus area

Security and risk management

We continue to enhance security and risk management capabilities supported by specialised central and embedded teams and systems across the group. Emphasis is placed on dealing with the ever-changing threats in a proactive manner through focused mitigation strategies. Coordination is supported by a defined group target architecture.

We continue to enhance security and risk management capabilities

Cybercrime

Our cyber resilience strategy is based upon a threat-driven approach to cybersecurity, rather than the contemporary compliance-driven approach. Regular targeted attack simulations by specialist companies, against the group as a whole, is used to measure and improve our cyber defenses.

We endeavour to stay current with the ever-evolving threat landscape by placing an emphasis on actionable threat intelligence and continuous research. We attract and employ world class security professionals. We believe people, operating within a risk conscious culture, and not just technology, is the 'key to success' in being resilient against security threats.

Cyber resilience strategy

We attract and employ world class security professionals

Procurement

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts. In the UK, we are committed to ensuring that 100% of our beverage offering has the Fairtrade label. A product that carries the Fairtrade certification mark has met the rigorous Fairtrade standards, which focus on improving labour and living conditions for farming communities and on promoting a way of farming that doesn't harm either people or the environment.

In South Africa, our procurement practices seek to accord with the BEE requirements of the Department of Trade and Industry's Codes of Good Practice and we have an established process for monitoring and measuring our broad-based BEE procurement efforts. Environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of personal computers and server equipment subscribe to an electronic code of conduct, which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment. Our banqueting team sources products bearing the Rainforest Alliance Certification seal which assures rigorous environmental, social and economic criteria are considered in order to achieve long-term sustainability.

Our supply chain statement incorporates standards on human rights, labour rights and environmental and anticorruption principles as set out in the UN Global Compact.

We will not knowingly engage with any supplier who:

- Is not operating in compliance with all applicable environmental, labour and anti-corruption laws and regulations of the countries in which they operate, manufacture or conduct business
- Has a significant impact on the environment and not maintaining an effective environmental policy and/or environmental management system that support environmental protection, prevention of pollution
- Is using any form of forced or involuntary labour
- Is employing children
- Is not providing equal opportunity for all employees regardless of race, ethnicity, gender, national origin, age, disability, sexual orientation or religion
- Is not respecting the right of their employees to freely associate and collectively bargain within the boundaries of the applicable law
- Is not treating their employees with respect and dignity and not providing a work environment free of harassment, intimidation and bullying
- Is not providing a safe and healthy working environment in order to prevent workplace accidents and injuries
- Is engaging in bribery, collusive practices or any other form of corruption to obtain or retain business.

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 192 to 195), 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 191. 20% of the bonus awarded to Hendrik du Toit was deferred into the IAM Deferred Bonus Plan (DBOP). As outlined on page 221, 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

Perry Crosthwaite
Chairman, DLC remuneration committee

9 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

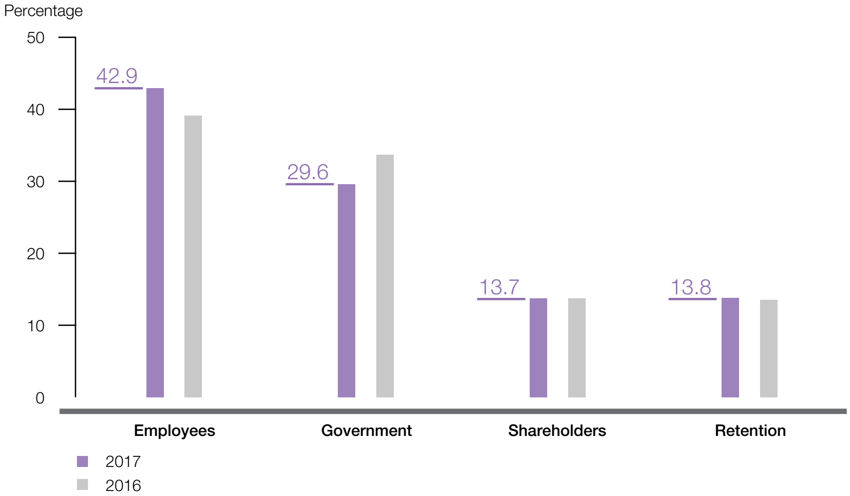
Remuneration philosophy

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%

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 196.

£'000	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	
	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 204, 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:

£'000	Awarded in 2017	Received in: 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:

£'000	Awarded in 2017	Received in: 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 123.

Two members of the committee are also members of the group's board risk and capital committee (as discussed on page 144), 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 192 to 194 – 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 221 and 222)	• Award subject to performance criteria as set out on pages 194 and 195 • 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 197.

	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 201.*
- *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 221 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 192 to 194.*
- *Further information on the short-term incentives is set out on pages 192 to 194 and as discussed on page 191 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

Financial metrics	Weighting	Actual achievement at 31 March 2017	Achievement levels: Threshold 0%	Achievement levels: Target 100%	Achievement levels: 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 192 to 194) 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 191, 198 and 199.

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

Financial metrics	Weighting	Actual achievement at 31 March 2017	Achievement levels: Threshold 0%	Achievement levels: Target 100%	Achievement levels: 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 192 to 194) 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 191.

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 193	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 193	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)

	Beneficial and non-beneficial interest Investec plc[1]		% of shares in issue[1] Investec plc	Beneficial and non-beneficial interest Investec Limited[1]		% of shares in issue[1] Investec Limited
Name	**31 March 2017**	**1 April 2016**	**31 March 2017**	**31 March 2017**	**1 April 2016**	**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 204.*

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 196). 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)

	Investec plc		Investec Limited		Investec Bank Limited	
Name	**31 March 2017**	**1 April 2016**	**31 March 2017**	**1 April 2016**	**31 March 2017**	**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	Performance 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 189.

The performance criteria in respect of these awards are detailed on pages 194 and 195. 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 189. The performance criteria in respect of these awards are detailed on pages 194 and 195. 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 202 to 204.

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.

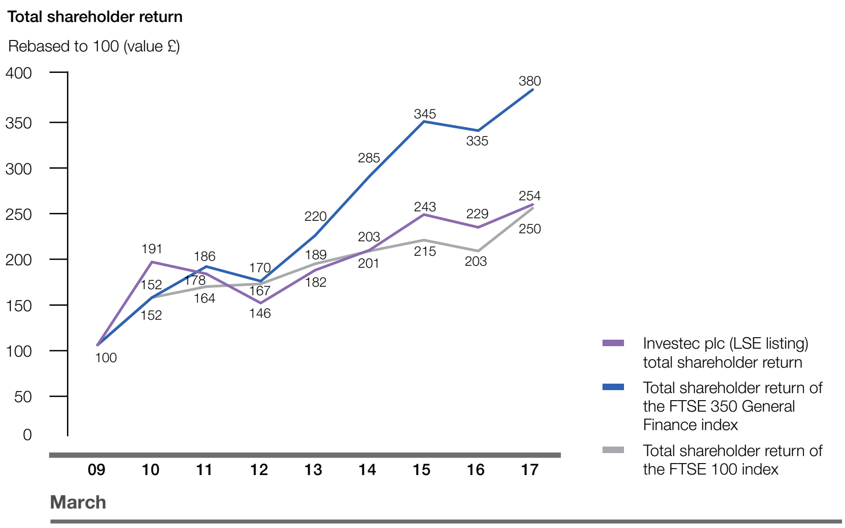
Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended) requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. A number of companies within the 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 196.

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 202, 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 196.

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 216 to 223.

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 196.

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 192 to 194).

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 221, 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 221 and 222.

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 212.*

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 212.*

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 221 and 222.*

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 192 to 194. *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 209), 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 216 to 223.

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 215 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.

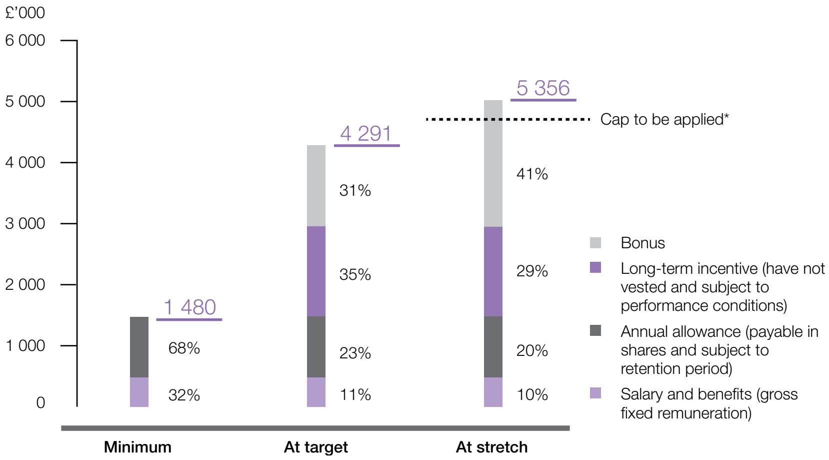
For the CEO, MD and GRFD based on the remuneration policy proposed for the year ending 31 March 2018:

- 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:

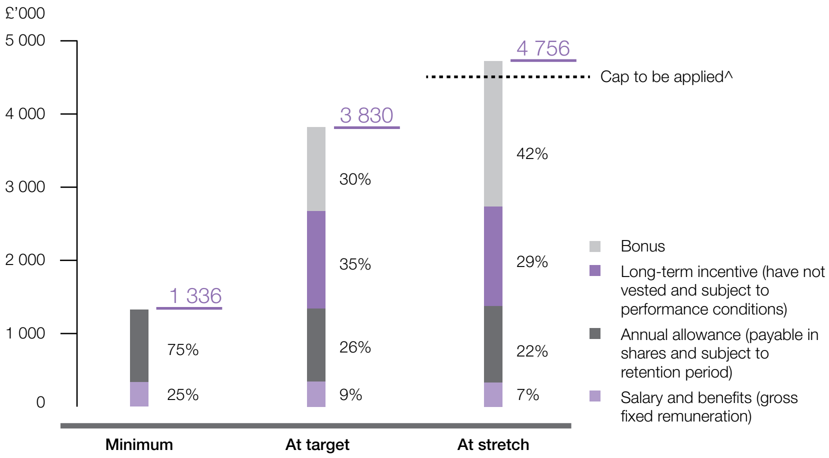
- Fixed remuneration includes the latest known salary, company pension contributions and the benefits receivable during the year ended 31 March 2017
- Variable short-term incentive is 1.85% of pre-tax and pre-compensation earnings of IAM, determined on a discretionary and uncapped basis
- Hendrik du 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



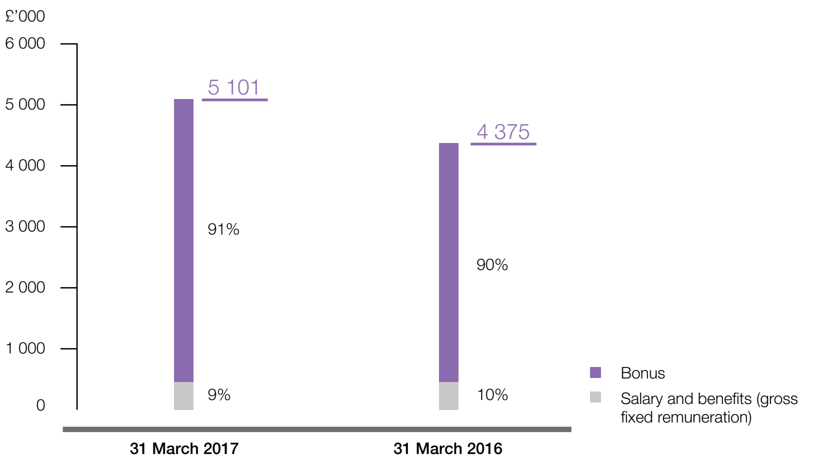
* *The maximum potential remuneration as calculated in terms of the formula is £5.356 million. However, this amount will be capped to £5.032 million when one applies the remuneration cap as approved by shareholders.*

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 195 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 196.

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 209).

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 pages 40 to 46.

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 205). 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 218 to 220.

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 185 to 223.

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 222. 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 185 to 223.

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 226.*
* *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.*

Adjusted shareholders' equity
Refer to calculation on page 64

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

Core loans and advances
Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 35 in volume two

Dividend cover
Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)
Refer to page 59 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items
Refer to page 59 in volume three

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 62

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

Operating profit per employee
Refer to calculation on page 68

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 64

Return on average adjusted tangible shareholders' equity
Refer to calculation on page 64

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) as reflected on page 90 in volume two

Staff compensation to operating income ratio
All employee-related costs expressed as a percentage of operating income

Third party assets under administration
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

Weighted number of ordinary shares in issue
The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 59 in volume three

Corporate information

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Registration number

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Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Fani Titi (chairman)
Zarina BM Bassa
Laurel C Bowden
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
David Friedland
Charles R Jacobs
Ian R Kantor
Lord Malloch-Brown KCMG
Khumo L Shuenyane
Peter RS Thomas

For contact details for Investec offices internationally refer to pages 148 and 150 in volume three.