Out of the Ordinary

Investec

Annual Report

Investec integrated annual review and summary financial statements

2018

2018 About this abridged report

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

The summary annual financial statements have been approved by the board of directors of the group and were signed on its behalf by the chief executive officer, Mr S Koseff. This document provides a summary of the information contained in the Investec's 2018 integrated annual report (annual report). It it not the group's statutory accounts and does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group as would be provided by the full annual report. For further information consult the full annual financial statements, the unqualified auditor's report on those annual financial statements and the directors' report. The auditors' report did not contain a statement under section 498(2) or section 498(2) of the UK Companies Act 2006.

Ongoing and statutory information

Statutory information is set out in section five of this report. In order to present a more meaningful view of the group's performance, additional management information is presented on our ongoing businesses. This additional information 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 have been 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, Kensington Group plc and Start Mortgage Holdings Limited. These sales had a significant effect on the comparability of the group's financial position and results
- The remaining legacy business (as set out on page 68).

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2017.

A reconciliation between the statutory and ongoing income statement is provided on pages 62 and 63. All information in our abridged report is based on our statutory accounts unless otherwise indicated.

Cross reference tools

1 **_Audited information_**

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

2 **_Page references_**

Refers readers to information elsewhere in this report

3 **_Website_**

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

4 **_Corporate responsibility_**

Refers readers to further information in our corporate responsibility 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

Telephone (27) 11 286 7070
(44) 20 7597 5546

e-mail: investorrelations@investec.com

Investor Relations

www.investec.com/en_za/welcome-to-investec/about-us/investor-relations.html

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Investec in perspective

Solid client activity levels supporting underlying performance.

- The group's asset and wealth management businesses have generated substantial net inflows of £7.3 billion, which together with favourable market levels has supported higher average funds under management.
- The banking businesses have benefited from sound levels of corporate and private client activity driving strong loan book growth over the year.
- The group has continued to invest into the business, positioning itself for further growth across its client franchise businesses and ensuring that it remains competitive and relevant in the markets in which it operates.
- Impairments on the legacy portfolio have increased in anticipation of accelerated exits of certain assets in line with the group's strategy of managing down this portfolio.
- Taking into account the abovementioned factors, the group has achieved satisfactory operating performance against a challenging backdrop in its two core geographies (refer to pages 34 to 39 for an economic overview of our operating environments), underpinned by sound growth in key earnings drivers and a solid recurring income base.

Statutory financial performance

2018	2017
£607.5mn	£599.1mn

Operating profit* increased 1.4% (decrease of 3.5% on a currency neutral basis)

2018	2017
£491.1mn	£434.5mn

Adjusted attributable earnings^ increased 13.0% (increase of 6.9% on a currency neutral basis)

2018	2017
53.2p	48.3p

Adjusted earnings per share^ increased 10.1% (increase of 4.1% on a currency neutral basis)

2018	2017
24.0p	23.0p

Dividends per share increased 4.3%

We continued to actively manage down the UK legacy portfolio

- The legacy portfolio reduced from £476 million at 31 March 2017 to £313 million through asset sales, redemptions and write-offs.
- The legacy business reported a loss before taxation of £93.5 million (2017: £64.6 million) reflecting an increase in impairments for accelerated exits anticipated to occur on certain legacy assets.

* *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.*

Highlights

(continued)

Satisfactory performance from the ongoing business

2018	2017
£701.0mn	£663.7mn

Operating profit* increased 5.6% (increase of 1.2% on a currency neutral basis)

2018	2017
£566.2mn	£487.1mn

Adjusted attributable earnings^ increased 16.2% (increase of 10.8% on a currency neutral basis)

2018	2017
61.3p	54.1p

Adjusted earnings per share^ increased 13.3% (increase of 8.1% on a currency neutral basis)

2018	2017
76.3%	72.0%

Annuity income as a % of total operating income

2018	2017
0.26%	0.29%

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

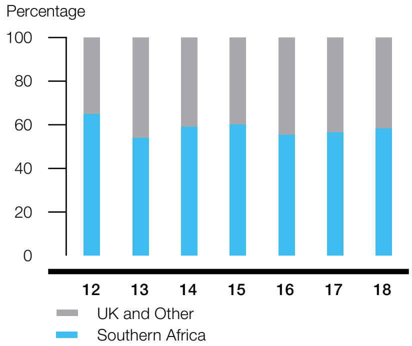
* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

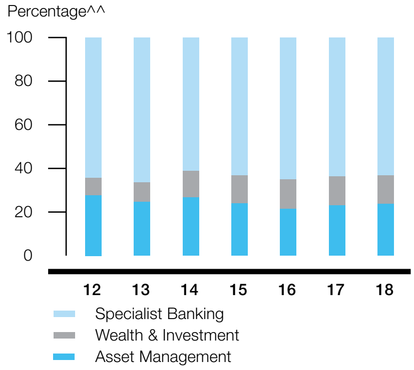
^ Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.

** Trends in these graphs are shown on a currency neutral basis using the closing Rand: Pound Sterling exchange rate applicable at 31 March 2018.

We have a diversified business model

% contribution of operating profit* before taxation of the ongoing business



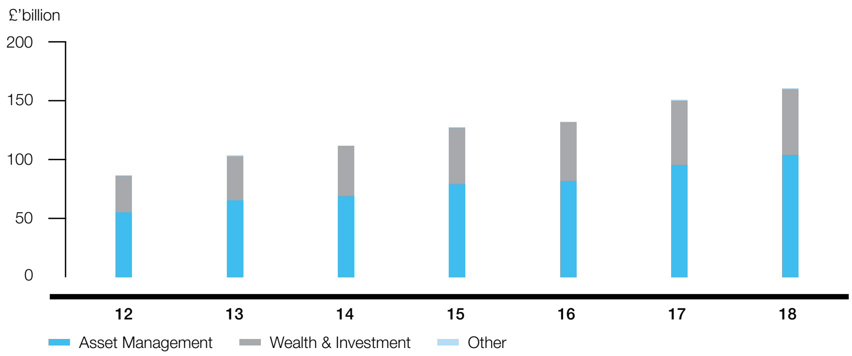


^^ *Excluding group costs.*

We continued to grow our key earnings drivers

Funds under management increased 6.5% to £160.6 billion – an increase of 6.2% on a currency neutral basis

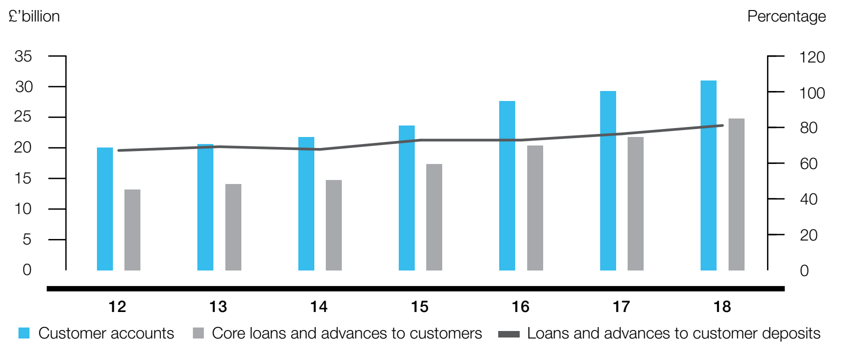
Funds under management**



Customer accounts (deposits) increased 6.5% to £31.0 billion – an increase of 5.9% on a currency neutral basis

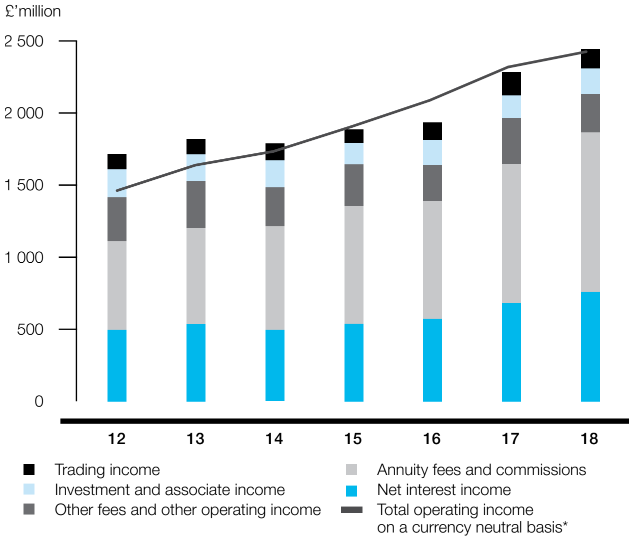
Core loans and advances increased 11.6% to £24.8 billion – an increase of 11.0% on a currency neutral basis

Customer accounts (deposits) and loans ongoing business**



Supporting growth in operating income

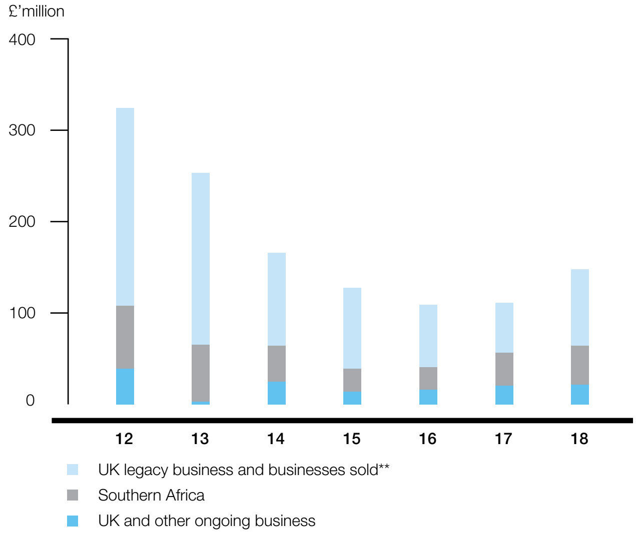
Total operating income ongoing business



* The trend for this line is shown on a currency neutral basis using the average Rand: Pound Sterling exchange rate applicable at 31 March 2018.

Increase in impairments largely driven by accelerated exits anticipated in the legacy portfolio

Impairments

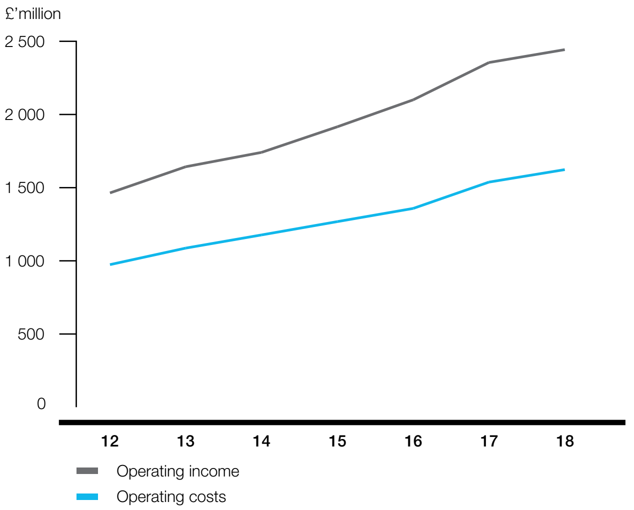


** Refers to the remaining UK legacy business as well as group assets that were sold in the 2015 financial year.

Costs increased largely due to planned investment across the business

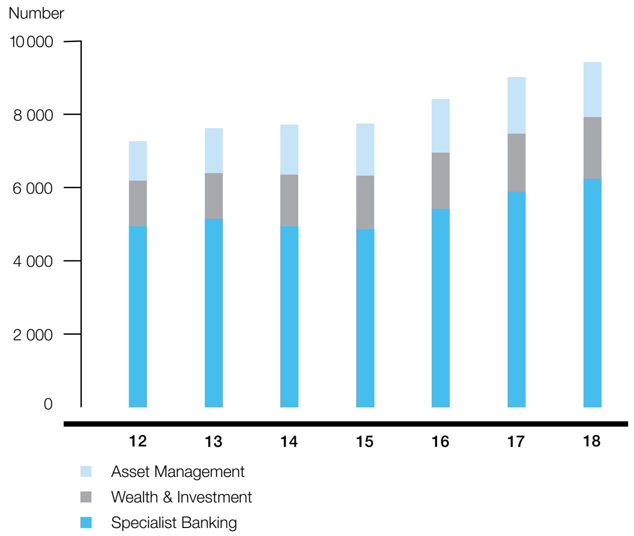
Operating costs increased reflecting: continued investment into IT and digital initiatives and higher headcount across divisions to support increased activity and growth strategies, notably the build out of the UK private client offerings. Cost growth in South Africa was somewhat offset by the pending acquisition of the South African head office building and the related provision no longer required.

Jaws ratio for the group ongoing business^



^ Trends in this graph are shown on a currency neutral basis using the average Rand: Pound Sterling exchange rate applicable at 31 March 2018.

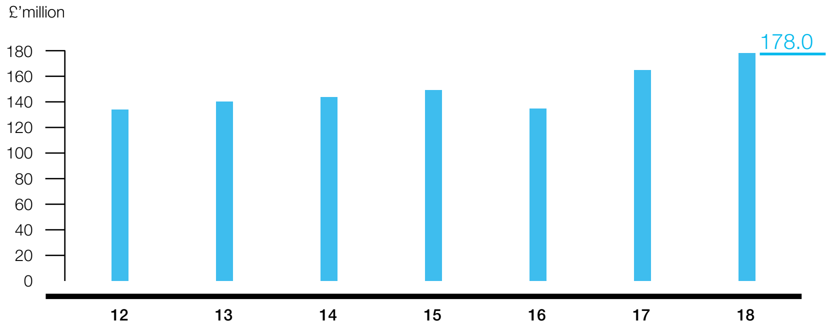
Headcount^^



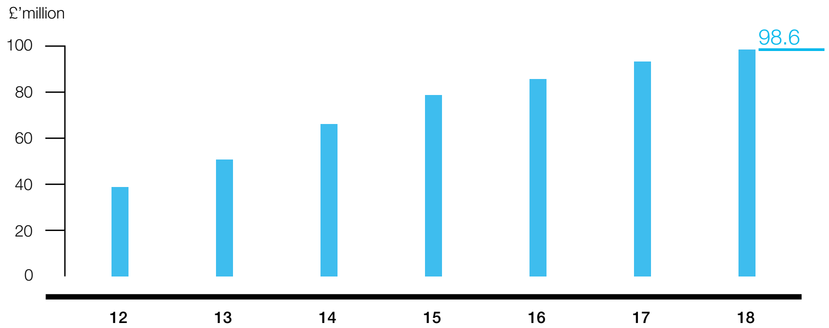
^^ Permanent headcount and includes acquisitions.

Resulting in a satisfactory performance from our ongoing business

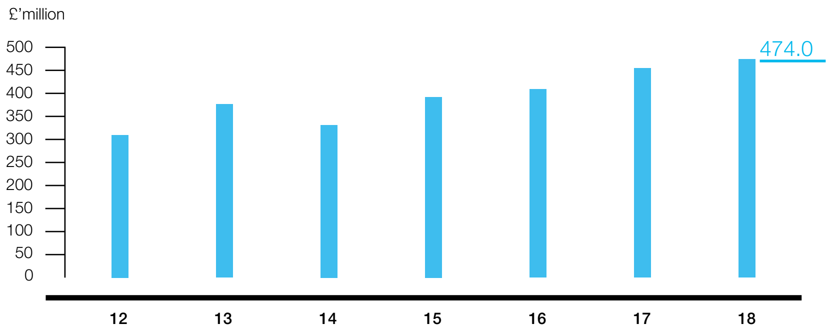
Operating profit* – Asset Management



Operating profit* – Wealth & Investment



Operating profit* – Specialist Banking ongoing business



Progress made on our financial targets

		Ongoing		Statutory	
	Target	March 2018	March 2017	March 2018	March 2017
ROE (post-tax)	12% – 16% over a rolling five-year period	14.1%	14.2%	12.1%	12.5%
Adjusted^ EPS growth	Target: 10% > UKPRI	13.3%	11.3%	10.1%	16.9%
Cost to income	Target: < 65%	66.5%	65.8%	66.9%	66.3%
Dividend cover (times)	Target: 1.7x – 3.5x	n/a	n/a	2.2x	2.1x

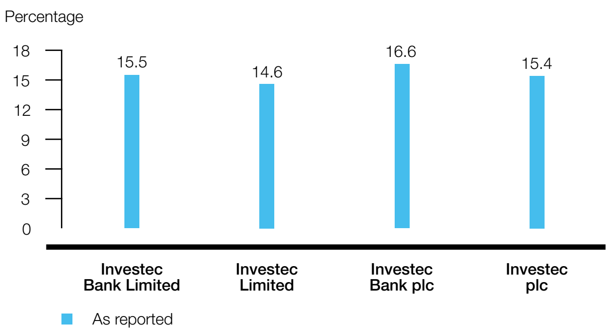
* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Maintained a sound balance sheet

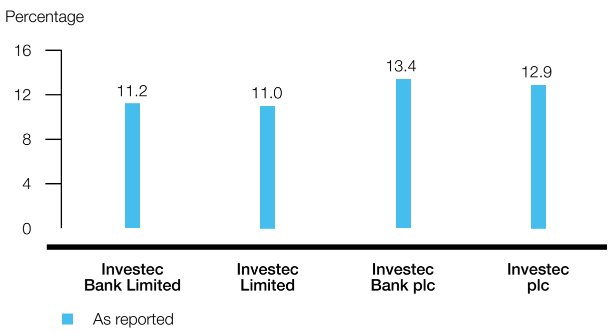
Target

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

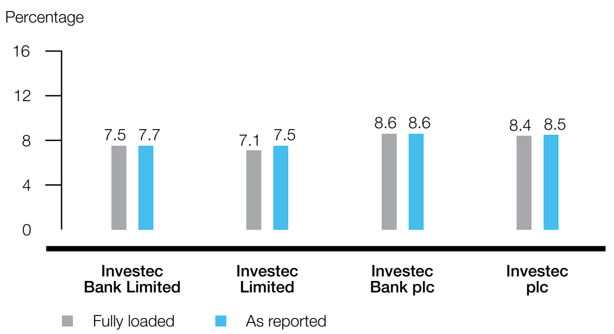
Capital adequacy ratios



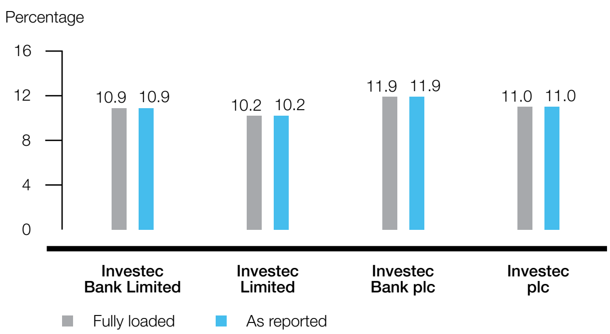
Tier 1 ratios



Leverage ratios



Common equity tier 1 ratios



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%, with the year-end ratio at 41.4%
- 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: 77.4% (2017: 75.0%)
- Investec plc: 83.2% (2017: 78.2%).

Liquidity remains strong with cash and near cash balances amounting to £12.8 billion (2017: £12.0 billion).

Capital remained in excess of current regulatory requirements.

We are comfortable with our common equity tier 1 ratio target at a 10% level given the group's significant capital light revenues, and leverage ratios for Investec Limited and Investec plc of 7.5% and 8.5% respectively.

The banking entities exceed the minimum regulatory requirements for the liquidity coverage ratio and the net stable funding ratio.

* *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.*

Highlights
(continued)

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.

Value added statement

£'000	31 March 2018	31 March 2017
Net income generated		
Interest receivable	2 491 009	2 230 765
Other income	1 607 007	1 525 789
Interest payable	(1 730 611)	(1 550 870)
Other operating expenditure and impairments on loans	(467 982)	(439 962)
	1 899 423	**1 765 722**
Distributed as follows:		
Employees	795 420	757 390
Salaries, wages and other benefits		
Communities	7 167	7 054
Spend on corporate social initiatives		
Government	550 610	522 984
Corporation, deferred payroll and other taxes		
Shareholders	261 435	242 440
Dividends paid to ordinary shareholders	227 908	216 602
Dividends paid to preference shareholders	33 527	25 838
Retention for future expansion and growth	284 791	235 854
Depreciation	28 804	25 006
Retained income for the year	255 987	210 848
Total	**1 899 423**	**1 765 722**

Investec's corporate responsibility encompasses three key areas of people, planet and profit, including our contribution to the six capitals and our commitment to the Sustainable Development Goals (SDGs).

People

Human capital

We depend on the experience and proficiency of our people to perform and deliver superior client services.

Purpose and priorities	Impact
Providing a safe and healthy work environment that values physical as well as psychological well-being	In the UK, we are progressing towards a more agile environment with flexible work encouraged where appropriate 72% of employees in South Africa participated in employee wellness initiatives
Investing in our people and growing talent and leadership	Learning and development spend as a % of staff costs is 1.9% for the group **(target of >1.5% for the group)** Learning and development spend of £22.5 million (2017: £22.9 million) 21 CAs graduated from the CA programme in the past year and were retained in our business
Retaining and motivating staff through appropriate remuneration and rewards structures	Voluntary staff turnover rate in South Africa is 8.8% and 8.4% in the UK 5% of Investec shares are held by staff (excluding directors' holdings)
Respecting and upholding human rights by entrenching a value-driven culture through the organisation that is supported by strong ethics and integrity	Participant to the United Nations Global Compact and remain committed to the 10 principles
Promoting diversity and equality at all levels of the group	49% female employees 20% females on the board **(target of at least 30%)** Made good progress towards the target of 33% females on the board by 2020, per Hampton-Alexander Review For information on our BEE transformation refer to Investec's 2018 integrated annual report.

Intellectual capital

We use our specialist financial skills and expertise to provide efficient solutions for clients and have a robust risk management process in place.

Purpose and priorities	Impact
Maintaining a diversified portfolio of businesses that supports performance through varying economic cycles	Consistent contribution to the group's performance from asset and wealth management businesses of 36.9% of operating profit (2017: 36.2%) on an ongoing basis (excluding group costs) Annuity income as a percentage of ongoing operating income is 76.3% (2017: 72.0%)
Leveraging our expertise in risk management to protect value	Ongoing credit loss ratio remains at lower end of its long-term average trend at 0.26% (2017: 0.29%)
Ensure solid and responsible lending and investing activities	Trained 195 frontline consultants on environmental, social and governance (ESG) practices in South Africa and the UK

Social and relationship capital

We leverage key stakeholder relationships to enhance our impact on society and the macro-economy.

Purpose and priorities	Impact
Building deep durable relationships with our clients and creating new client relationships	Customer accounts (deposits) up 6.5% since 31 March 2017
Investing in our distinctive brand and providing a high level of service by being nimble, flexible and innovative	Voted South Africa's eighth most valuable brand
Unselfishly contributing to society through our corporate social investment (CSI) programmes	1.2% CSI spend as a % of operating profit (2017: 1.2%) **(target of >1% for the group)** CSI spend of £7.2 million (2017: £7.1 million)
Contributing to the transformation of the financial sector in South Africa	Investec will be rated under the revised Financial Sector Code for the first time in 2018
Committed to youth employment in South Africa	One of the first signatories to Youth Employment Service (YES) programme

People recognition

- Voted second most attractive employer by professionals and fourth by students in South Africa in the 2017 Universum awards
- Investec CEO, Stephen Koseff won the Lifetime Achievement Award presented by the 2018 African Banker Awards
- Winner of the Business of the Year award by Business Charity Awards 2017 (for Beyond Business)
- Winner of the Community Impact Award 2017 for our flagship programme the Beyond Business social enterprise incubator we run in partnership with Bromley by Bow Centre
- Winner of the National CSR Awards 2017, in the individual Community (Legacy) category Project Award (for Beyond Business)
- Winner of the Community Partners award in the Lord Mayor's Dragon Awards 2017
- Reaccredited winner (for Beyond Business) in the Responsible Business Awards 2017
- Received the Financial Innovation Awards 2017 – Innovation in Sustainability or Social Responsibility Awards for our Invest for Success programme run in partnership with Arrival Education

Highlights
(continued)

Planet

Natural capital

We support the transition to a low-carbon economy and believe we can make a meaningful impact in addressing climate change. We consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet.

Purpose and priorities	Impact
Funding and participating in renewable energy	88% of our energy lending portfolio relates to clean energy
Limiting our direct operational carbon impact	Carbon emissions reduced by 6.1% **(Refer to our corporate responsibility report on our website for emission reduction targets)**
Protecting biodiversity through various conservation activities	51% increase in number of children reached through our Coaching for Conservation programme (approximately 12 000 reached since 2013) Investec Rhino Lifeline has supported the rescue of 70 rhino since 2012
Ensuring the security of natural resources in all our operations	R2.5 million spent on water initiatives to ensure continuation of business in our Cape Town office during the 2017/2018 drought

Planet recognition

- Investec group was awarded a B for the Carbon Disclosure Project (CDP) climate scoring
- Investec's Energy Management System that covers 23 of our physical buildings in the UK, Ireland and Channel Islands was certified to the international energy standard ISO 50001
- In our UK head office, the Environment Management System retained the international environment standard ISO 14001
- Our UK head office, won the top prize – the Chairman's Cup for its waste management processes in the Corporation of London's Clean City Award Scheme for 2017
- The coordinator of the Investec Coaching for Conservation kids programme at Good Work Foundation won a silver in the Eco-Logic Awards in the category 'Eco-Youth'

Profit

Financial capital

We create sustained long-term wealth by growing our core businesses.

Purpose and priorities	Impact
Maintaining a balanced and resilient business model	Our capital light activities contributed 56% to group income **(target of > 50% of our income from capital light activities)**
Maintaining a sound capital base and strong liquidity	Healthy capital and leverage ratios in excess of regulatory requirements **(target a leverage ratio > 6%)** Cash and near cash to customer deposit ratio of 41.4% **(target of > 25%)**
Organically growing our business	Adjusted EPS* growth of 10.1% (2017: 16.9%) **(target of 10% > UK PRI)**
Focusing to improve the returns and operational efficiency	Group cost to income ratio 66.9% **(target of < 65% in Pounds Sterling)** ROE of 12.1% overall group and 14.1% on an ongoing basis **(target of 12% – 16% over a rolling five-year period in Pounds Sterling)**
Creating value for shareholders	4.3% increase in dividends per share Dividend cover of 2.2 times **(target of 1.7 – 3.5 times)**

* *Adjusted EPS is before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Technological capital

We deliver efficient and effective information technology to support our businesses and facilitate our digital strategy.

Purpose and priorities	Impact
Aligning architecture across the group and reducing our application and data footprint	90% of all servers now virtualised reducing our data centre storage footprint in South Africa by 80% Migration of the UK data centres to a fully hosted energy efficient environment reducing the energy footprint
Creating an international platform for clients with global access to products and services which is both high-tech and high-touch	Completed a number of enhancements to our digital capability *See page 18 for more information*
Investing in technology to deliver exceptional client experience	Click & Invest successfully launched to market
Maintaining a cyber resilient strategy based on a threat-driven approach rather than a contemporary compliance-driven approach	Extensive simulations on various cyber threats were conducted during the period and we are comfortable with our procedures in place All staff are required to do regular training on the prevention of cyber crime

Profit recognition

- Won the Best Digital Bank in South Africa and most Innovative Digital Bank in Africa in the Best Digital Bank Awards 2017
- Joint 1st Robo-Advisor for Click & Invest in the MyPrivateBanking Research Awards 2017
- Winner of the Online Personal Wealth Awards 2018 for best newcomer

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 implemented a dual listed companies (DLC) structure with linked companies 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:

- to leverage our unique client profile
- to provide the best integrated solution supported by our comprehensive digital offering.

Our strategy *(continued)*

Investec Asset Management
- Continue to improve our investment performance
- Maintain strong momentum in the Advisor business globally
- Grow our presence in the large markets, especially North America
- Evolve all our capabilities for the future, continue to scale Multi-Asset and Quality and build a compelling foundation for Alternatives.

Investec Wealth & Investment
- Focus on investing in and developing our digital channel including enhancements to our core service
- Coordinating and leveraging capabilities across businesses to enhance our services for clients
- Providing a global investment offering and building skills in alternative investment, fiduciary and tax
- Continually improving business processes.

Specialist Banking UK
- Broaden client base by building franchise while deepening client relationships
- Establishing a high-tech and high-touch domestically relevant bank to growth-orientated businesses
- Private Bank shift in focus from platform development to client acquisition.

Specialist Banking South Africa
- Identify new sources of revenue across our existing client base
- Management of our liquidity ratios with an emphasis on retail funding initiatives
- Management of our capital to optimise returns
- Launch of Investec for Business to mid-market corporates.

Other objectives
- Diversity and transformation remain a key focus
- Continually evolving the digital offering.

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	Specialist Banking	Wealth & Investment
Operating completely independently		
Corporate/institutional/government		Private client (high net worth/high income)/ charities/trusts
– Investment management services to external clients	– Lending – Transactional banking – Deposit raising activities – Treasury and trading – Advisory – Investment activities	– Investment management services – Independent financial planning advice

We aim to maintain an appropriate balance between revenue earned from capital light activities and revenue earned from capital intensive 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

Clients are at the core of our business and we strive to provide them with a high level of service by being nimble, flexible and innovative. In the past few years, we have created an international digital platform for clients with global access to products and services which is both high-tech and high-touch. Our integrated client strategy leverages off the natural linkages within the private client businesses and between the private client and corporate banking businesses, which are all centred around the client. We are continually enhancing and evolving our digital platform to ensure a seamless, integrated client service experience.

Businesses *Channel of choice* *< > Strong links*

Corporate client businesses

Corporate

- Corporate clients (including directors, employees)
- Private Equity Investments
- Manufacturer of funds
- Retail structured savings products

Corporate bankers | **Digital**

< >

Private client businesses

Private Banking

Growth and creation of wealth

- Banking
- Property Finance
- Private Capital
- Retail

Private bankers | **Digital**

Wealth & Investment

Management and preservation of wealth

- Wealth Management
- Portfolio Management
- Stockbroking

Global client support centre | **Investment managers**

Investec Digital enables our clients to get a real-time consolidated view of their banking and investment accounts, locally and internationally, on one platform with one login. Through this consolidated global dashboard (Investec Online and the App), clients can access and transact on their banking and investment accounts across South Africa, the UK, Channel Islands and more, at no additional fees. To add value to clients' daily banking and investment experience, we continue to enhance our digital capability through regular innovations.

Initiative	Completed in past year
One Place – global platform	OnePlace mobile app ranked joint second place in the MyPrivateBanking awards
	Rebuild of corporate platform Investec Dotcom
	Enhancements to the Manage My Life toolset (for clients to manage non financial aspects of their life, legacy management)
	Investec Life Limited (Investec Life) launched in October 2017 – more than R1 billion of life policies have been sold in the six months to 31 March 2018
	Additional value added services (e.g.: pre-paid electricity)
	Enhanced mobile payments
Personal portfolio	Self service financial management (e.g.: budgets, cash flow forecasting) – development completed and in testing phase
South African online portfolio manager	Included unit trusts from Wealth & Investment and Investec Asset Management
	Enhanced capability on Tax Free Savings
UK online portfolio manager	Click & Invest successfully launched to market – won Joint First Robo-Advisor award from MyPrivateBanking

Focus for the financial year ending 31 March 2019

- Private client mobile app refresh
- Goal-based investing for South African private clients
- Business banking for South Africa and the UK
- Click & Invest Self Invested Personal Pensions (SIPPs)
- Open application interface (API) – allowing fintech ecosystem to utilise Investec's digital API (services) and allowing Investec to access Fintech capability more easily – including a revised operating model to create API's as a new channel for the group
- A unified digital interface for financial intermediaries.

Operating structure

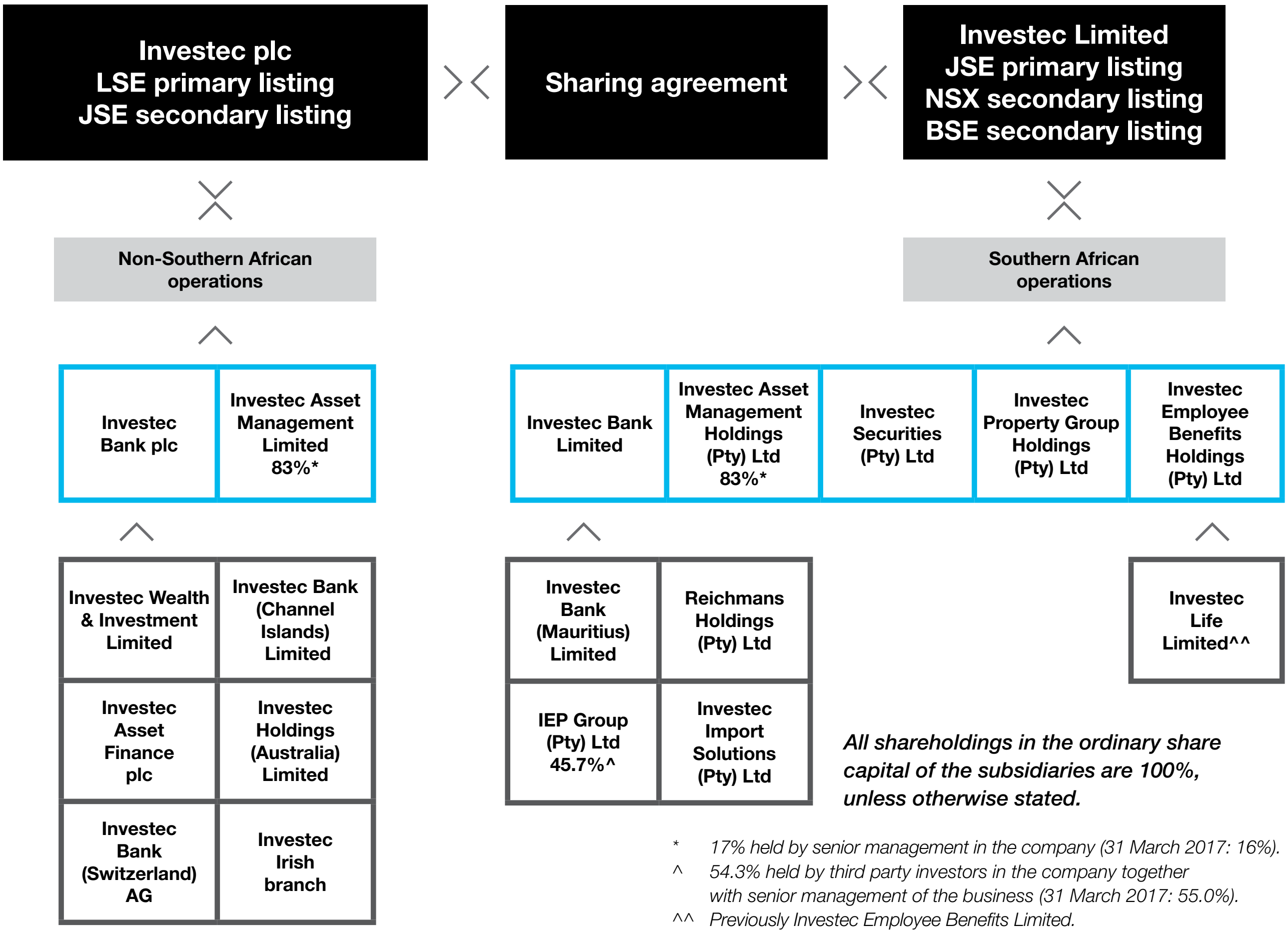
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

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 holding company of our businesses in Southern Africa and Mauritius, and Investec plc is the holding company of our non-Southern African businesses.

Our DLC structure and main operating subsidiaries as at 31 March 2018



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

* *17% held by senior management in the company (31 March 2017: 16%).*
^ *54.3% held by third party investors in the company together with senior management of the business (31 March 2017: 55.0%).*
^^ *Previously Investec Employee Benefits Limited.*

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*
£607.5mn

Assets
£57 617mn

NAV**
£3 750mn

Permanent employees
9 444

COI^	ROE^
66.9%	12.1%

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 9.1% to £408.1 million

£19.4bn
Total **deposit book**

£15.4bn
Total **net core loans**

£53.9bn
Total **funds under management**

As a % of the group

67.2%	Operating profit*
64.3%	Assets
57.3%	NAV**
55.9%	Permanent employees

Actual

52.5%	COI^
17.2%	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; Luxembourg; North America; Singapore; Switzerland and 18 offices across the UK.

Operating profit* (statutory) of the UK operations decreased 11.4% to £199.4 million

Operating profit* (ongoing) of the UK operations increased 1.2% to £292.9 million

£11.6bn
Total **deposit book**

£9.7bn
Total **net core loans**

£106.6bn
Total **funds under management**

As a % of the group

32.8%	Operating profit*
35.7%	Assets
42.7%	NAV**
44.1%	Permanent employees

Actual

78.0%	COI^
6.9%	ROE^
10.9%	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 57.*
^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 57.*

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. Our sole focus is the provision of investment management services to our predominantly global institutional client base

Market positioning

Total funds under management#
1991: £0.4 billion → 2018: £103.9 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 → 2018: £56.0 billion
UK: One of the top five players
South Africa: Largest player

Specialist Banking

Core client base and what we do

We offer a broad range of services including 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: £25.1 billion^^

- Corporate and other clients: £10.9 billion
- Private clients: £14.2 billion^^

Global deposit book: £31.0 billion

Operating profit* of Asset Management increased 8.0% to £178.0 million

£59.1bn Segregated mandates

£44.7bn Mutual funds

£103.9bn# Total funds under management

As a % of group

29.3%	Operating profit*°
3.0%	NAV**
16.1%	Permanent employees

33.0%	operating margin
91.0%	ROE^

Operating profit* of Wealth & Investment increased 5.7% to £98.6 million

£35.6bn Discretionary funds under management

£20.5bn Non-discretionary funds under management

£56.0bn# Total funds under management

As a % of group

16.2%	Operating profit*°
1.5%	NAV**
17.8%	Permanent employees

24.3%	operating margin
38.7%	ROE^

Operating profit* (statutory) of Specialist Banking decreased 2.4% to £380.5 million

Operating profit* (ongoing) of Specialist Banking increased 4.3% to £474.0 million

£31.0bn Total deposit book

£25.1bn Total core loans

As a % of group

62.6%	Operating profit*°
95.5%	NAV**
66.1%	Permanent employees

61.2%	COI^
10.2%	ROE^
13.1%	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 58.*
^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 58.*
^^ *Including legacy assets of £0.3 billion as explained on page 68.*
° *Contributions are larger than 100% due to group costs amounting to £49.6 million which are included in operating profit.*
Refer to page 60 for further detail on funds under management.

The progress made in achieving our strategic priorities, and the successful transitioning of leadership, gives us confidence in our strategy to invest for the long term.

In the past year, sound growth in the core earnings drivers for our three business areas and solid client activity levels supported underlying performance. The group has continued to make strategic investments to ensure it remains competitive and relevant in the markets in which it operates.

Overview of financial performance

The group achieved an increase in statutory operating profit of 1.4% to £607.5 million (2017: £599.1 million), a decrease of 3.5% on a currency neutral basis. Adjusted EPS increased 10.1% from 48.3 pence to 53.2 pence, a 4.1% increase on a currency neutral basis. Distributions to shareholders increased to 24.0 pence (2017: 23.0 pence) resulting in a dividend cover of 2.2 times (2017: 2.1 times).

The total legacy portfolio reduced from £476 million to £313 million through asset sales, redemptions and write-offs. This resulted in a loss before taxation on the legacy business of £93.5 million (2017: £64.6 million) with impairments on the legacy portfolio increasing from £54.3 million to £84.7 million reflecting an increase in impairments for accelerated exits anticipated to occur on certain legacy assets.

The ongoing business delivered a satisfactory performance with operating profit up 5.6% to £701.0 million (2017: £663.7 million). This is a 1.2% 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. The group's asset and wealth management businesses have generated substantial net inflows of £7.3 billion which, together with favourable market levels, supported higher average funds under management. Third party assets under management increased 6.5% to £160.6 billion (31 March 2017: £150.7 billion), an increase of 6.2% on a currency neutral basis.

The banking businesses benefited from sound levels of corporate and private client activity driving strong loan book growth over the year. Customer accounts (deposits) increased 6.5% to £31.0 billion (31 March 2017: £29.1 billion), an increase of 5.9% on a currency neutral basis. Core loans and advances (excluding the legacy portfolio) increased 11.6% to £24.8 billion (31 March 2017: £22.2 billion), an increase of 11.0% on a currency neutral basis.

This supported growth in total ongoing operating income before impairment losses of 6.9% to £2 442.8 million (2017: £2 285.9 million) with the percentage of annuity income increasing to 76.3% of total operating income (2017: 72.0%). The ongoing cost to income ratio increased to 66.5% (2017: 65.8%) with total operating costs growing by 8.0% to £1 623.2 million (2017: £1 502.6 million) due to planned investment spend across the business.

Operating environment

While the global economy strengthened during the past year, Investec's two core geographies experienced persistent economic uncertainty. In the UK, economic growth slowed as indecision around Brexit continued to impact corporate and consumer confidence. Inflation rose sharply, squeezing household spending power, and the country experienced its first hike in the bank rate in over a decade.

The UK's departure from the European Union remains one of the biggest uncertainties to the UK outlook although negotiations are progressing in line with the scheduled timetable.

Economic growth in South Africa remained subdued as a result of the poor macro environment and heightened political and policy uncertainties. This was worsened by successive downgrades by the three largest credit rating agencies, subdued demand for credit and low business and consumer confidence. Despite local sentiment, South Africa emerged from a technical recession in the second quarter and the country experienced its first interest rate cut since 2012. The transition to new leadership under President Cyril Ramaphosa has restored some confidence. We are encouraged to see that investment and economic growth are clear priorities on the national agenda which should support client activity for our businesses going forward.

Business performance

There was a consistent contribution from all business activities during the period under review with Asset Management and Wealth & Investment contributing a combined 36.9% (2017: 36.2%) to group operating profit on an ongoing basis (excluding group costs).

Asset Management

Operating profit in Asset Management increased by 8.0% to £178.0 million (2017: £164.8 million) benefiting from higher average funds under management driven by favourable market and currency movements and strong net inflows of £5.4 billion. Lower performance fees in South Africa negatively affected earnings. Total funds under management increased to £103.9 billion (31 March 2017: £95.3 billion).

It was pleasing to note that net flows were positive across all regions, largely driven by inflows from the Americas and Asia-Pacific regions supporting the business's consistent strategic focus in those areas. While fundamental challenges to the industry persist, momentum remains positive and management are confident in their strategy to build a long-term intergenerational business.

Wealth & Investment

Wealth & Investment experienced an increase in operating profit of 5.7% to £98.6 million (2017: £93.2 million). The business benefited from higher average funds under management supported by higher equity market levels over the year and solid net inflows of £2.0 billion. Total funds under management increased to £56.0 billion (31 March 2017: £54.8 billion). Operating margin was slightly down from 25.9% to 24.3% as the business continued to invest in digital platforms, IT infrastructure and compliance.

The operating profit for the South African business declined 2.1% in Rands with the increase in annuity fees earned offset by lower brokerage volumes. Progress continued to be made in attracting discretionary net inflows which amounted to R5.0 billion in the current year.

The UK and Other business experienced a 6.3% increase in operating profit with solid net inflows of £1.8 billion. The launch of Investec Click & Invest, a digital discretionary investment management service, was well received by the market and was ranked first place in an independent survey of the digital portfolio management market.

Despite continued market uncertainty, management remain comfortable with their strategy of investing for long-term sustainability focusing on providing a global investment offering and maintaining the highest standards of client service.

Specialist Banking

The ongoing business of Specialist Banking increased operating profit by 4.3% to £474.0 million (2017: £454.4 million).

The UK and Other businesses reported a 9.3% decrease in operating profit. Strong growth in net interest income was supported by loan book growth of 15.1% to £9.4 billion (31 March 2017: £8.1 billion) and a reduction in the cost of funding. This was offset by a decrease in non-interest revenue following particularly strong investment banking and client flow trading activity levels in the prior year. In line with the business's current investment strategy to support franchise growth, IT infrastructure costs and headcount increased, notably for the continued build out of the private client banking offering. We will continue to focus on our strategy to be a high-tech and high-touch specialist bank. Expansion of our client offering through enhanced digital initiatives remains key, as does increasing our capital light activities. Having accelerated our strategy to run down the legacy portfolio, we expect this business to continue generating a sustainable level of recurring income as it focuses on deepening the franchise and expanding the growth-orientated client base.

The South African business reported an increase in operating profit in Rands of 6.9% supported by sound corporate and private client activity levels as well as an increase in associate earnings from the IEP Group. This was partially offset by lower investment income. Core loans and advances increased 8.7% to R256.7 billion (31 March 2017: R236.2 billion) reflecting the consistent strategy to penetrate the existing client base and grow market share. The launch of Investec Life was particularly successful with over R1 billion in cover written in the first six months of the launch. We received recognition from a number of international awards and rankings, including top Private Banking group overall for South Africa for the sixth consecutive year by UK finance magazine's *Euromoney*. The focus for the next year remains centred on client penetration, managing capital and liquidity, investing in digitalisation and the expansion of Investec for Business which is designed to deliver an integrated service offering to mid-market corporates.

Review of risks

Despite the prevailing macro-economic conditions, the group was able to maintain sound asset performance and risk metrics throughout the year in review. Growth in the core loan book 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. We continue to stress our loan books against a number of macro-economic scenarios, and manage these risks accordingly. We are closely monitoring political developments with respect to Brexit and are equipped to adapt to a rapidly changing environment.

We continue to maintain appropriate capital and leverage ratios and ensure we have a high level of readily available, quality liquid assets. The group has always held capital comfortably in excess of regulatory requirements and all our banking subsidiaries meet current internal targets for total capital adequacy with leverage ratios remaining above our 6% minimum target. Cash and near cash balances remain strong and we exceed the Liquidity Coverage Ratio and Net Stable Funding Ratio requirements in both the UK and South Africa. We have continued to benefit from a reduction in our cost of funding in the UK, whilst net interest margins remained stable in South Africa.

During the year, we continued to enhance our ratings systems and risk quantification models in preparation for the group's implementation of IFRS 9 and the move to the Foundation Internal Ratings-Based (FIRB) approach to capital in South Africa. IFRS 9 has had a moderate impact on our capital ratios.

Meeting regulatory obligations and ensuring the safety of our clients' wealth are key priorities for the group. We therefore continue to spend much time and effort managing our operational, reputational, conduct, recovery and resolution risks. Financial crime and cyber crime remain high priorities and we are continually strengthening our systems and controls in order to manage cyber risk, combat money laundering and prevent bribery and corruption. State capture in South Africa and the increase in corporate and audit scandals in South Africa and around the world has heightened the awareness around who we deal with and the process to 'on-board' clients. A significant amount of time and resources have been spent on training in this regard.

Board focus areas

During the year, the board continued to engage with various stakeholders on a number of issues. These included strategy and corporate performance, executive succession, executive remuneration, governance and board composition.

Succession of the group's long-serving executive management has been an ongoing focus area for the board for the past few years as part of the group's orderly succession plan to move from founding members to the next generation of leadership. As chief executive officer and managing director, respectively, Stephen Koseff and Bernard Kantor will step down from their roles on 1 October 2018 and will continue to serve as executive directors until 31 March 2019 to provide support and advice to the incoming executive. Thereafter, they will continue to be available to staff and leadership as non-executive directors. The role of CEO will be jointly assumed by Fani Titi, who has been the chairman of the group since November 2011, and Hendrik du Toit, the founding chief executive officer of Investec Asset Management. Perry Crosthwaite, the group's former senior independent non-executive director, became the chairman of the group on 15 May 2018. In addition, Glynn Burger, the group risk and finance director, will retire on 31 March 2019 but will remain available and willing to assist the new management team. Ciaran Whelan, who has held various senior positions globally with the group over the past 30 years, will assume the role of group risk director while Kim McFarland, who has been with Investec Asset Management since December 1993, will take over as group finance and operations director from 1 April 2019.

Further changes to the board include Peter Thomas stepping down from the group board at the annual general meeting in August 2017. We thank Peter for his extraordinary dedication to the group since joining the board of Investec in 1981. At the same time, we welcomed to the board Philip Hourquebie who was appointed as a non-executive director. Philip brings a wealth of expertise in his longstanding position as the regional managing partner of EY Inc for Africa and more recently, Central and South East Europe.

In considering the composition of the board, we are mindful of a number of aspects including skills experience, knowledge, race and gender. We are focused on maintaining the necessary banking experience, appropriate regional balance between South African and non-South African board members and reaching our gender diversity target of 30% females on the board. The board has also played an integral role in encouraging and participating in diversity initiatives across all our operations.

One of the key topics of discussion with stakeholders over the past year was that of remuneration. We maintain our philosophy that, in order to employ and retain the highest calibre individuals, we need to reward them with industry competitive packages and long-term share incentives. It is also important to ensure there is clear alignment between remuneration and delivery of strategic priorities. The group is submitting a revised remuneration policy for approval by shareholders at the annual general meeting on 8 August 2018 and various issues raised by stakeholders have been incorporated into this policy. Where appropriate, we will be reducing the quantum of remuneration as well as simplifying the structure to ensure stronger alignment to strategy with relevant performance targets and measurements in place for monitoring.

Further to this, the group published its first gender pay gap report as required by legislation in the UK. We are comfortable that the group pays men and women equally for the same roles and that we have the appropriate practices in place to ensure fairness. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles. We are dedicated to improving our position in line with our commitment to promoting diversity.

In addition to the regular agenda items discussed, the board has focused on a number of new regulations, policies and practices including IFRS 9, Markets in Financial Instrument Directive (MiFid) II, General Data Protection Regulation (GDPR), King IV and the Advanced Internal Ratings Based (AIRB) and FIRB approach to capital.

In light of prevailing market conditions, the board continued to assess the appropriateness of the business strategy of the group, in particular the strategy of the UK Specialist Bank, and we are comfortable with the progress made. As we start the new financial year, we are confident in our leadership to deliver on the group's strategic priorities. The focus of the board remains on ensuring stability within the group and we believe the board has the appropriate balance of skills and expertise to ensure that the group is well governed, and that the interests of all stakeholders are well served.

Living in society

Investec has a deeply-rooted tradition of active corporate citizenship and we are mindful of our responsibility to live in society and not off it. As a distinctive financial institution with specialist skills in lending and investing, Investec plays a critical role in funding a stable and sustainable economy that contributes to the upliftment of communities and is cognisant of the world's limited natural resources.

Caring for our people is at the heart of Investec's approach to corporate responsibility. We provide staff with a safe, healthy and stimulating work environment to ensure they are motivated and equipped to deliver exceptional service for our clients. As part of the move to our new London head office at 30 Gresham Street, we are providing staff with a learning environment that encourages collaboration and knowledge sharing among colleagues and business areas. We also invest in learning opportunities for our staff and, in the past year, we spent £22.5 million (2017: £22.9 million) on the learning and development of our people with the group learning and development spend at 1.9% of staff costs. This exceeds our target of a minimum of 1.5% for the group. We were pleased to be recognised as the second most attractive employer in South Africa by professionals and fourth by university students in the 2017 Universum Most Attractive Employer Awards.

Our approach to corporate social investment (CSI) is to provide our beneficiaries with a 'hand up' instead of a 'hand-out'. We believe this promotes lifelong skills that will transform their lives and, in turn, enable them to help others around them. In the UK, our flagship programme, the Beyond Business social enterprise incubator which we run in partnership with the Bromley by Bow Centre, won several awards recognising the community impact of this partnership. In South Africa, our flagship Promaths programme contributed to 4.8% and 5.0% of the country's total mathematics and science distinctions respectively in the 2017 academic year. Since inception 12 years ago, Investec has funded over 7 000 previously disadvantaged learners through the programme with 84% having completed, or in the process of completing, tertiary education. This will go a long way towards helping us achieve our aim of creating economic participants who can contribute towards building and growing the economy of the country.

We remain committed to transformation in South Africa and fund a number of initiatives to create a more equitable society. Investec has been intimately involved in the CEO Initiative to, among other things, formulate the Youth Employment Service (YES) programme to address the unemployment issue among young people. At the launch of the programme by President Cyril Ramaphosa towards the end of March 2018, Investec committed to finding employment for approximately 1 200 youth annually for the next three years. We see this as an important investment in the transformation of our country and the future of the group.

Our sustainability efforts continue to be recognised, with Investec Limited now ranked as one of four industry leaders on the Dow Jones Sustainability Investment (DJSI) Emerging Markets index, and Investec plc one of 15 industry leaders on the DJSI World index and one of nine in the DJSI Europe index. We were also included as a leader in the RobecoSam Sustainability Yearbook 2018, which recognises the world's most sustainable companies, for moving the needle in ways that will help realise the United Nation's Sustainable Development Goals (SDGs).

In this regard, we have seen increased interest in the role that the private sector can play in advancing the SDGs and Investec has committed to participate and collaborate with clients, investors and public stakeholders to support delivery of the SDGs. Through our various activities, the group contributes to a number of SDG targets and we have included the impacts, where relevant, throughout this report. One of the greatest environmental impacts we can have is to support the transition to a clean and energy-efficient global economy. Investec Power and Infrastructure has financed eight projects globally in the past year with an installed capacity of approximately 1 450MW of clean energy. Overall, clean energy comprises 88% of our total energy portfolio consisting of biomass, wind, waste, solar and hydro projects. This is the most meaningful way we can contribute to climate change and reduce the impact of our existence on the natural environment.

Strategy and outlook

The complexities of Brexit continue to cause uncertainty in the UK economy. While growth in South Africa was down in the first quarter of 2018 relative to the final quarter of 2017, the rest of the year should be positive due to a mix of investor confidence and a rebound in consumer spending. We will continue to focus on the growth levers available to improve our returns, including growing our client base and core revenue drivers, leveraging off our investment into the business, managing our liquidity and optimising our capital structure.

Looking forward, we believe that our strategic priorities, together with the diversity of our business model that has been built over many years, will ensure the group is favourably positioned to grow in core markets, supporting future growth and delivering value to all our stakeholders.

Closing remarks from Stephen and Bernard

We have spent almost 40 years building a quality business that, in 1981, had less than £1 million of capital, and today has over £5.4 billion of capital. Our aim was to build a sustainable business, one that has been able to survive and thrive through all conditions, growing earnings from £0.16 million in 1981 to £491 million at the end of the 2018 financial year. We have had a client-focused approach, recognising the value in building committed long-term relationships and working with clients to build their wealth and, at the same time, creating value for shareholders.

This was only possible because of the many incredibly talented and entrepreneurial people who have worked with us through all these decades. People who work at Investec are generally characterised by an enduring enthusiasm, tenacity and desire to challenge the status quo in their efforts to meet clients' expectations. It is this strongly embedded culture of uncompromising integrity in the pursuit of extraordinary performance that is ingrained in our DNA and will ensure that the Investec of today continues long after our departure.

Lastly, we leave a business that has a conscience and is conscious, not only of our duty to clients and shareholders, but also to the individuals within the business and the broader communities we serve. We are therefore proud and happy to hand over a solid, sustainable and caring organisation to the next generation of leaders, knowing that they are well-equipped to take the group from strength to strength.

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

Fani Titi	**Perry Crosthwaite**	**Stephen Koseff**	**Bernard Kantor**
Former chairman	Chairman	Chief executive officer	Managing director

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

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

Financial review

Introduction

Investec operates under a DLC structure with primary listings of Investec plc on the London Stock Exchange and Investec Limited on the JSE Limited.

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other.

The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

Accordingly, the year-end results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling.

All references in this document to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

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 2018		31 March 2017	
Currency per £1.00	**Year end**	**Average**	**Year end**	**Average**
South African Rand	16.62	17.21	16.77	18.42
Australian Dollar	1.83	1.72	1.64	1.75
Euro	1.14	1.14	1.17	1.19
US Dollar	1.40	1.33	1.25	1.31

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: Pound Sterling exchange rate over the year has appreciated by 6.6% and the closing rate has appreciated by 0.9% since 31 March 2017.

	Results in Pounds Sterling				
	Actual as reported Year to 31 March 2018	**Actual as reported Year to 31 March 2017**	**Actual as reported % change**	**Neutral currency^ Year to 31 March 2018**	**Neutral currency % change**
Operating profit before taxation* (million)	£608	£599	1.4%	£578	(3.5%)
Earnings attributable to shareholders (million)	£506	£442	14.3%	£478	8.1%
Adjusted earnings attributable to shareholders** (million)	£491	£435	13.0%	£465	6.9%
Adjusted earnings per share**	53.2p	48.3p	10.1%	50.3p	4.1%
Basic earnings per share	51.2p	50.8p	0.8%	48.4p	(4.7%)
Dividends per share	24.0p	23.0p	4.3%	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: Pound Sterling exchange rate that was applied in the prior year, i.e. 18.42.*

	Results in Pounds Sterling				
	Actual as reported at 31 March 2018	Actual as reported at 31 March 2017	Actual as reported % change	Neutral currency^^ at 31 March 2018	Neutral currency % change
Net asset value per share	452.5p	431.0p	5.0%	454.0p	5.3%
Net tangible asset value per share	401.5p	377.0p	6.5%	403.0p	6.9%
Total equity (million)	£5 428	£4 809	12.9%	£5 403	12.4%
Total assets (million)	£57 617	£53 535	7.6%	£57 288	7.0%
Core loans and advances (million)	£25 132	£22 707	10.7%	£24 995	10.1%
Cash and near cash balances (million)	£12 825	£12 038	6.5%	£12 763	6.0%
Customer deposits (million)	£30 987	£29 109	6.5%	£30 815	5.9%
Third party assets under management (million)	£160 576	£150 735	6.5%	£160 138	6.2%

^^ *For balance sheet items we have assumed that the Rand: Pound Sterling closing exchange rate has remained neutral since 31 March 2017.*

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 2018	Year to 31 March 2017	% change	Year to 31 March 2018	Year to 31 March 2017	% change
Operating profit before taxation* (million)	£608	£599	1.4%	R10 412	R10 885	(4.3%)
Earnings attributable to shareholders (million)	£506	£442	14.3%	R8 648	R8 025	7.8%
Adjusted earnings attributable to shareholders** (million)	£491	£435	13.0%	R8 395	R7 880	6.5%
Adjusted earnings per share**	53.2p	48.3p	10.1%	909c	875c	3.9%
Basic earnings per share	51.2p	50.8p	0.8%	875c	920c	(4.9%)
Headline earnings per share	48.7p	48.2p	1.0%	833c	872c	(4.5%)
Dividends per share	24.0p	23.0p	4.3%	432c	403c	7.2%

	Results in Pounds Sterling			Results in Rands		
	At 31 March 2018	At 31 March 2017	% change	At 31 March 2018	At 31 March 2017	% change
Net asset value per share	452.5p	431.0p	5.0%	7 521c	7 228c	4.1%
Net tangible asset value per share	401.5p	377.0p	6.5%	6 674c	6 322c	5.6%
Total equity (million)	£5 428	£4 809	12.9%	R90 218	R80 638	11.9%
Total assets (million)	£57 617	£53 535	7.6%	R957 592	R897 749	6.7%
Core loans and advances (million)	£25 132	£22 707	10.7%	R417 695	R380 786	9.7%
Cash and near cash balances (million)	£12 825	£12 038	6.5%	R213 155	R201 877	5.6%
Customer deposits (million)	£30 987	£29 109	6.5%	R515 007	R488 149	5.5%
Third party assets under management (million)	£160 576	£150 735	6.5%	R2 661 492	R2 527 826	5.3%

* *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	2018	2017	% change 2018 vs 2017
Income statement and selected returns			
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	491 062	434 504	13.0%
Headline earnings (£'000)	449 647	434 425	3.5%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)ᵠ	607 505	599 121	1.4%
Operating profit: Southern Africa (% of total)ᵠ	67.2%	62.5%	
Operating profit: UK and Other (% of total)ᵠ	32.8%	37.5%	
Cost to income ratio	66.9%	66.3%	
Staff compensation to operating income ratio#	47.5%	46.1%	
Return on average adjusted shareholders' equity (post-tax)	12.1%	12.5%	
Return on average adjusted tangible shareholders' equity (post-tax)	13.7%	14.5%	
Return on average risk-weighted assets	1.45%	1.45%	
Operating margin of the combined Asset Management and Wealth & Investment businesses	29.3%	30.1%	
Operating profit per employee (£'000)	61.2	64.1	(4.5%)
Net interest income as a % of operating income	31.1%	29.7%	
Non-interest income as a % of operating income	68.9%	70.3%	
Annuity income as a % of total operating income	76.2%	72.0%	
Effective operational tax rate	9.6%	18.5%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	6 911	6 211	11.3%
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	5 428	4 809	12.9%
Shareholders' equity (excluding non-controlling interests) (£'million)	4 442	4 131	7.5%
Total assets (£'million)	57 617	53 535	7.6%
Net core loans and advances to customers (£'million)	25 132	22 707	10.7%
Core loans and advances to customers as a % of total assets	43.6%	42.4%	
Cash and near cash balances (£'million)	12 825	12 038	6.5%
Customer accounts (deposits) (£'million)	30 987	29 109	6.5%
Third party assets under management (£'million)	160 576	150 735	6.5%
Capital adequacy ratio: Investec plc°	15.4%	15.1%	
Capital adequacy tier 1 ratio: Investec plc°	12.9%	11.5%	
Common equity tier 1 ratio: Investec plc^^°	11.0%	11.3%	
Leverage ratio: Investec plc – current^^°	8.5%	7.8%	
Capital adequacy ratio: Investec Limited°	14.6%	14.1%	
Capital adequacy tier 1 ratio: Investec Limited°	11.0%	10.7%	
Common equity tier 1 ratio: Investec Limited^^°	10.2%	9.9%	
Leverage ratio: Investec Limited – current^^°	7.5%	7.3%	
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.61%	0.54%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	1.17%	1.22%	
Gearing ratio (assets excluding assurance assets to total equity)	9.1x	9.5x	
Core loans to equity ratio	4.6x	4.7x	
Loans and advances to customers: customer deposits	79.6%	76.2%	
Salient financial features and key statistics			
Adjusted earnings per share (pence)	53.2	48.3	10.1%
Headline earnings per share (pence)	48.7	48.2	1.0%
Basic earnings per share (pence)	51.2	50.8	0.8%
Diluted earnings per share (pence)	49.8	48.8	2.0%
Dividends per share (pence)	24.0	23.0	4.3
Dividend cover (times)	2.2	2.1	
Net asset value per share (pence)	452.5	431.0	5.0%
Net tangible asset value per share (pence)	401.5	377.0	6.5%
Weighted number of ordinary shares in issue (million)	923.5	900.4	2.6%
Total number of shares in issue (million)	980.6	958.3	2.3%
Closing share price (pence)	550	544	1.1%
Market capitalisation (£'million)	5 393	5 213	3.5%
Number of employees in the group (including temps and contractors)	10 146	9 716	4.4%
Closing ZAR:£ exchange rate	16.62	16.77	0.9%
Average ZAR:£ exchange rate	17.21	18.42	6.6%

* *Refer to definitions on page 229.*
** *Where nc is not comparable.*
^ *Where nd is not previously disclosed.*
^^ *The group's expected Basel III 'fully loaded' numbers are provided on page 55.*
° *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.*
ᵠ *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
Staff compensation ratio has been calculated based on revised definition as per page 229 for financial years 2017 and 2018. Prior year numbers have not been recalculated on this basis.

2016	2015	2014	2013	2012	2011	2010	2009
359 732	339 532	326 923	309 310	257 579	327 897	309 710	269 215
334 720	308 770	291 561	265 227	217 253	286 659	275 131	261 627
505 593	493 157	450 676	426 278	358 625	434 406	432 258	396 766
63.8%	70.8%	66.0%	67.5%	80.7%	69.1%	67.2%	74.0%
36.2%	29.2%	34.0%	32.5%	19.3%	30.9%	32.8%	26.0%
66.4%	67.6%	67.6%	65.7%	64.7%	61.7%	57.8%	55.9%
47.0%	47.4%	46.3%	43.9%	43.0%	40.7%	36.1%	34.9%
11.5%	10.6%	10.0%	9.4%	7.8%	11.2%	13.5%	14.8%
13.7%	12.7%	12.3%	11.7%	9.6%	13.2%	15.4%	17.4%
1.34%	1.25%	1.14%	1.06%	0.91%	1.23%	1.33%	1.36%
29.6%	30.4%	29.9%	29.1%	30.2%	33.6%	nc**	nc**
58.7	59.7	54.9	53.5	47.8	64.4	69.7	62.6
29.6%	32.4%	33.6%	35.2%	36.2%	34.9%	37.0%	46.6%
70.4%	67.6%	66.4%	64.8%	63.8%	65.1%	63.0%	53.4%
71.7%	74.2%	70.7%	68.6%	67.7%	62.3%	60.4%	70.0%
19.1%	19.6%	17.1%	18.4%	18.1%	15.5%	20.6%	21.1%
4 994	5 219	5 355	5 693	5 505	5 249	4 362	3 762
3 859	4 040	4 016	3 942	4 013	3 961	3 292	2 621
3 360	3 501	3 572	3 661	3 716	3 648	2 955	2 297
45 352	44 353	47 142	52 010	51 550	50 941	46 572	37 365
18 119	17 189	17 157	18 415	18 226	18 758	17 891	16 227
40.0%	38.8%	36.4%	35.4%	35.4%	36.8%	38.4%	43.4%
10 962	9 975	9 136	9 828	10 251	9 319	9 117	4 866
24 044	22 615	22 610	24 461	25 344	24 441	21 934	14 573
121 683	124 106	109 189	110 678	96 776	88 878	74 081	48 828
15.1%	16.7%	15.3%	16.7%	17.5%	16.8%	15.9%	16.2%
10.7%	11.9%	10.5%	11.0%	11.6%	11.6%	11.3%	10.1%
9.7%	10.2%	8.8%	8.8%	9.3%	nd^	nd^	nd^
7.0%	7.7%	7.4%	nd^	nd^	nd^	nd^	nd^
14.0%	14.7%	14.9%	15.5%	16.1%	15.9%	15.6%	14.2%
10.7%	11.3%	11.0%	10.8%	11.6%	11.9%	12.0%	10.8%
9.6%	9.6%	9.4%	8.9%	9.3%	nd^	nd^	nd^
6.9%	8.1%	7.8%	nd^	nd^	nd^	nd^	nd^
0.62%	0.68%	0.68%	0.84%	1.12%	1.27%	1.16%	1.08%
1.54%	2.07%	2.30%	2.73%	3.31%	4.66%	3.98%	3.28%
10.2x	9.4x	10.3x	11.6x	11.3x	11.3x	12.5x	13.0x
4.7x	4.3x	4.3x	4.7x	4.5x	4.7x	5.4x	6.2x
73.6%	74.0%	72.0%	71.5%	67.8x	72.4%	76.2%	103.6%
41.3	39.4	37.9	36.1	31.8	43.2	45.1	42.4
38.5	35.8	33.8	31.0	26.8	37.7	40.1	41.2
38.5	24.4	34.3	31.7	25.7	49.7	44.0	38.5
36.7	23.1	32.3	29.8	24.3	46.7	41.5	36.1
21.0	20.0	19.0	18.0	17.0	17.0	16.0	13.0
2.0	2.0	2.0	2.0	1.9	2.5	2.8	3.3
352.3	364.9	376.0	384.2	392.0	416.0	364.0	308.8
294.3	308.1	309.0	310.9	317.0	343.8	324.1	266.3
870.5	862.7	862.6	856.0	809.6	759.8	686.3	634.6
908.8	899.4	891.7	884.8	874.0	810.0	741.0	713.2
513	561	485	459	382	478	539	292
4 662	5 045	4 325	4 061	3 340	3 872	3 993	2 083
8 966	8 254	8 258	8 151	7 781	7 237	6 123	5 951
21.13	17.97	17.56	13.96	12.27	10.88	11.11	13.58
20.72	17.82	16.12	13.44	11.85	11.16	12.38	14.83

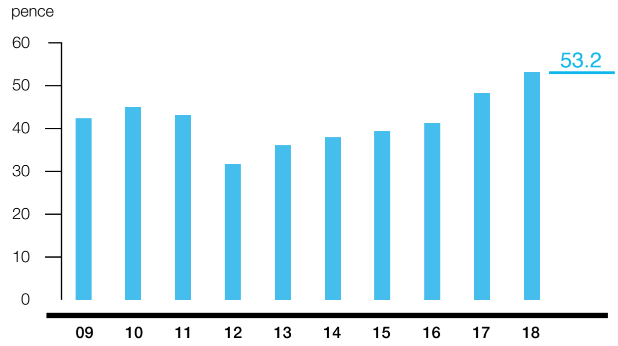
Financial review

(continued)

Track record

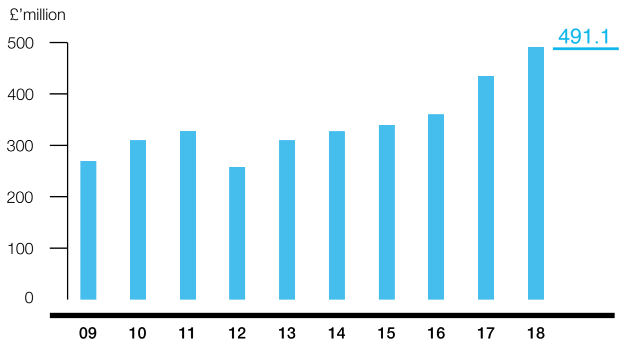
Up 10.1% to 53.2 pence

Adjusted earnings per share



Up 13.0% to £491.1 million

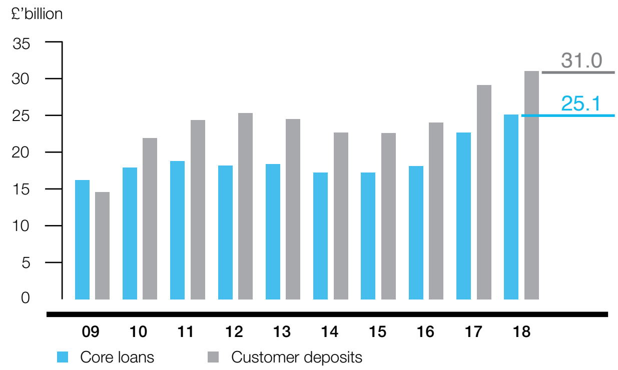
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items



Core loans: up 10.7% to £25.1 billion since 31 March 2017 – an increase of 10.1% on a currency neutral basis*

Deposits: up 6.5% to £31.0 billion since 31 March 2017 – an increase of 5.9% on a currency neutral basis*

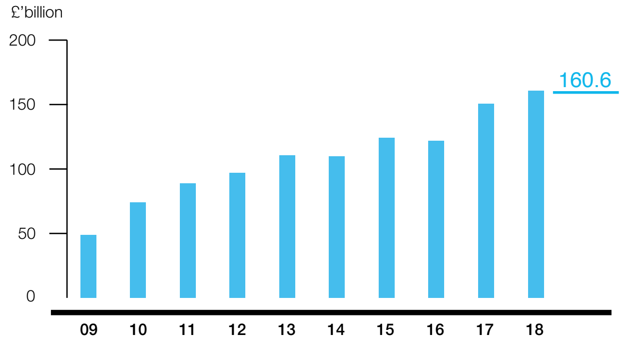
Core loans and customer deposits



Up 6.5% to £160.6 billion since 31 March 2017 – an increase of 6.2% on a currency neutral basis*

Net inflows of £7.3 billion

Third-party assets under management



* *Currency neutral basis: calculation assumes that the group's relevant closing exchange rates at 31 March 2018, as reflected on page 28, remain the same as those at 31 March 2017.*

Financial targets

Target

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

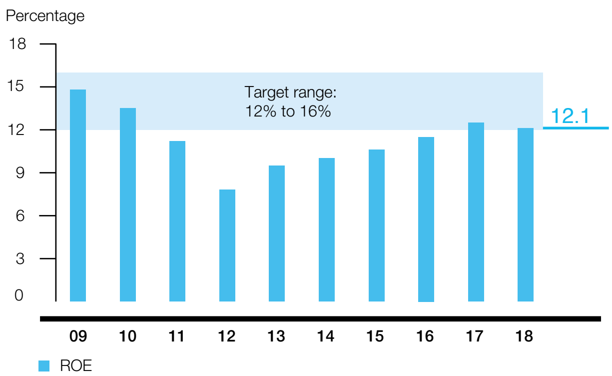
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

Target

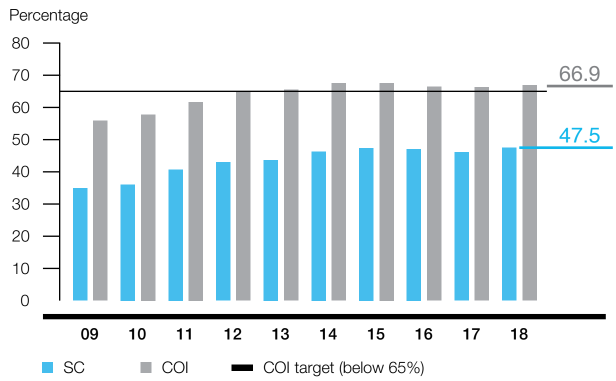
We have set the following target over the medium to long term:

Group COI ratio: less than 65% in Pounds Sterling

ROE*



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



Target

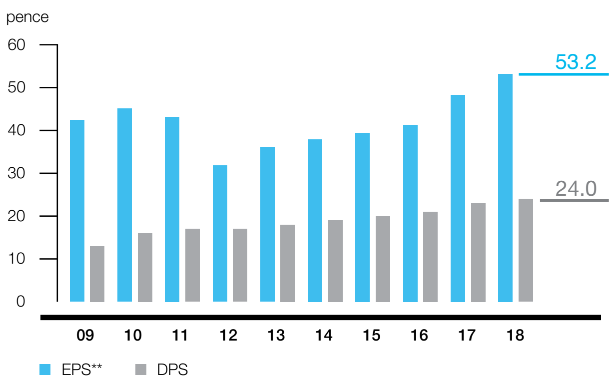
In the medium to long term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined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

Target

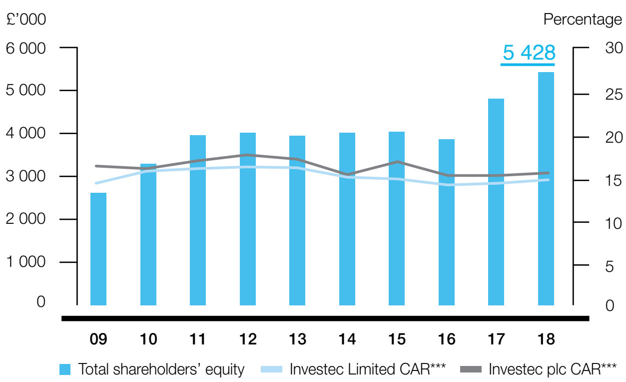
We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long term. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited, a minimum tier 1 ratio of 11% and a common equity tier 1 ratio above 10%. We also target a leverage ratio above 6.0%

Refer to page 55 for our reported capital ratios.

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 56.*

** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 229.*

*** *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

South Africa's GDP improved in 2017, assisted by a strengthening in global demand and a recovery from severe drought conditions in the northern provinces.

Calendar year 2017	Calendar year 2016
1.3% Economic growth	**0.6%** Economic growth
Calendar year 2017	**Calendar year 2016**
R56 020 GDP per capita	**R56 054** GDP per capita

The global economy continued to strengthen meaningfully on a broad basis as trade lifted, along with industrial production and confidence, while global lending conditions were favourable. This saw South Africa's gross domestic product (GDP) growth reach 1.3% year-on-year in calendar year 2017 from 0.6% year-on-year in calendar year 2016 as global demand strengthened, while recovery from severe drought conditions also assisted notably. Interest rates remained accommodative in many economies, with South Africa experiencing its first interest rate cut since 2012. The upturn in the commodity cycle persisted, a key driver of the lift in South Africa's 2017 GDP growth, with equity markets reaching new highs globally as the world's economic outlook brightened. Global risk-on remained a feature, and the lengthy bull market saw emerging markets experience strong foreign portfolio inflows, benefiting the Rand, while low bond yields in advanced economies and low volatility supported bourses globally.

However, the lengthy low volatility period in financial markets was broken early in 2018, with a correction that reflected sudden global risk-off as a steeper than previously anticipated rise in future US interest rates was factored into the markets on Federal Open Market Committee (FOMC) commentary. Subsequently, stock markets have recovered some lost ground, as the correction has proved welcome in an environment that was becoming overblown, where fears even of a financial crisis were building. The Rand saw substantial strength from the end of December 2017 on the election of Cyril Ramaphosa as leader of the African National Congress (ANC) and then as South African President, with a reduction of over R2.00/USD of the risk premium inherent in the domestic currency.

South Africa has lost ground on an institutional basis over the past 10 years, resulting in weaker economic growth and intense pressure on government finances. Indeed, the World Economic Forum's (WEF) Global Competitiveness Survey, shows South Africa's institutional ranking has dropped to 76th, from 39th in 2007/08. Major slippages occurred particularly in perceptions of auditing and reporting standards, efficacy of corporate boards, perceptions of minority shareholder rights, efficacy of the legal framework and in judicial independence. Additionally, irregular payments and bribes and favouritism in decisions of government officials were seen to have risen substantially, and public trust in politicians declined as the corruption and state capture infesting the country came to a head.

Key among the new President's goals is to eradicate corruption and state capture, repair the financial health of the State-owned Entities (SOEs) and fiscal consolidation. President Ramaphosa's cabinet reshuffle in early 2018 saw the key appointments of Nhlanhla Nene and Pravin Gordhan (as Finance and Public Enterprises Ministers respectively).

The closer working relationship between government, labour and business continues to bear fruit, with President Ramaphosa quick to point out the necessity of repairing investor confidence and business sentiment, in order to quicken economic growth via increased private sector fixed investment and job creation. Rapid, sustained, private sector led economic growth of 5% to 7% plus remains the key to reducing unemployment and inequality, and eliminating poverty in South Africa.

United Kingdom

Our views

UK economic expansion has slowed, weighed down by weak consumer spending and higher levels of inflation.

Calendar year 2017	Calendar year 2016
1.8% Economic growth	**1.9%** Economic growth
Calendar year 2017	Calendar year 2016
£29 670 GDP per capita	**£29 328** GDP per capita

Quarterly GDP growth of 0.4% in the fourth quarter capped off full-year growth of 1.8% in calendar year 2017, the weakest annual expansion recorded since 2012. Weighing on growth was softer consumer spending amid the squeeze on household finances as inflation rose to a more than five-year high of 3.1% in November 2017. Inflation started to ease as the first quarter of 2018 drew to a close whilst an increase in wage growth, to the firmest seen since 2015, also started to reduce the squeeze for households. Still, the quarterly pace of GDP growth slowed to just 0.1% in the first quarter of 2018, according to early GDP estimates, with heavy snow a key contributing factor.

The UK's departure from the European Union (EU) (Brexit) remained one of the biggest uncertainties to the UK outlook, even though negotiations progressed largely as planned along the scheduled timetable. In March 2018 the remaining 27 EU member states gave the green light for talks to shift to the future trading relationship after progress was made on the EU's draft withdrawal treaty and a 21 month transition period was agreed.

On the monetary policy front, the first hike in Bank Rate in over 10 years was enacted in November 2017, lifting UK interest rates to 0.50%. The Bank of England appeared to remain on course to pursue a gradual path of policy tightening over the next few years, with rate setters signalling that further hikes are likely to be necessary to bring inflation back sustainably to the Bank's 2% target. Governor Mark Carney is set to step down in June 2019 with his successor possibly to be announced in late 2018.

The November 2017 UK Budget was an expansionary exercise, with several measures aimed at improving affordability and supply in the housing market. The subsequent 'Spring Statement' was a much more subdued affair, with the Chancellor unveiling no new fiscal initiatives.

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

United States

Our views

The US economy expanded by 2.3% in 2017.

The annual reading of 2.3% was dragged down by a weak first three months of the year, with the three quarters that followed seeing annualised growth paces of around 3% each. At the start of 2018, the advance estimate of quarter one GDP growth pointed to a moderation from a 2.9% (seasonally adjusted) annualised pace to 2.3%. US tax reforms passed by Congress in December 2017 and a fiscally supportive two year spending bill agreed in February 2018, look set to bolster growth momentum over the period ahead.

Through 2017 the labour market continued to tighten with the unemployment rate having stood at 4.1% since October 2017, its lowest level since 2001. However despite the low level of the unemployment rate, pay growth showed little sign of a sharp move upward, having hovered in a range between 2.3% and 2.8% over the 12 months to March 2018.

The absence of a material upshift in pay growth and a period of relatively subdued inflation allowed the Federal Reserve to adjust its policy stance relatively slowly. The Federal Open Market Committee (FOMC) raised interest rates three times in 2017 whilst it enacted a further 25 basis point hike in March 2018, taking the Federal funds target rate range to 1.50% – 1.75%, having commenced its slow 'normalisation' process with its first post-crisis rate hike in December 2015.

Importantly the FOMC has also embarked on a process of reducing its Quantitative Easing (QE) holdings on its balance sheet; since October 2017 it has allowed holdings to roll-off up to a prescribed cap. The cap started at $10 billion per month in October, has risen slowly and will reach a maximum of $50 billion per month by the end of 2018. So far, markets have taken the Federal Reserve's gradual process of policy normalisation in their stride, albeit with some concerns that a sharp step up in inflation, if realised, might force the Fed to raise rates more rapidly over the coming years. Since summer 2017, the Federal Reserve's favoured Personal Consumption Expenditures (PCE) inflation measure has stood in the range 1.4% to 1.8% and has not shown a clear sign of a shift higher.

In US politics, the Trump administration achieved its first major legislative win as it passed its tax reform proposals in December 2017. That appeared to energise the administration, which has moved forward on other policy initiatives since. The President's recent focus has been on addressing what he sees as inequalities in the US's trade relationship, not least with China.

Eurozone

Our views

The Eurozone recovery solidified over the period with growth of 2.5% recorded in calendar year 2017, the strongest Euro area expansion pace since 2007.

Growth momentum also broadened out through 2017 with recent laggards in the recovery story, particularly France and Italy, seeing a step-up in their growth rates. Growth momentum has continued into 2018, albeit with the pace of GDP growth having slowed from 0.7% (quarter-on-quarter) in the final three months of 2017 to 0.4% in the first quarter of 2018, according to early GDP estimates.

The Euro area labour market continued to tighten with the unemployment rate having slid to 8.5%, a touch below the nine-year pre-crisis average. Rising employment helped to bolster household spending, supporting growth momentum more broadly. Meanwhile, credit conditions remained supportive of the economic outlook, with borrowing costs for households and corporates remaining near record lows and credit availability improving.

The European Central Bank's (ECB) interest rate stance has remained unchanged since March 2016. As such the main refinancing rate remained at 0.00% and the deposit rate at -0.40%. The monthly pace of ECB asset purchases was held at €60 billion per month as 2017 closed, with the bond buying pace having stood at that level since April 2017. From January 2018 bond buys were at a lower €30 billion per month pace. The ECB is not set to bring its QE programme to an end until late 2018. It continued to judge that an ultra-loose policy stance remained appropriate, given that it continued to expect that inflation would take some time to return to its target of 'below but close to 2%'; Euro area inflation averaged just 1.4% over the 12 months to March 2018.

European political events punctuated the period once more. No clear victor emerged from Italian elections in March 2018, however, three months of negotiations have led to the formation of a coalition government. Market sentiment has been unnerved by the agreement between the two populist parties given plans for large scale fiscal stimulus and a more combative approach to the EU. The solid Euro area economic growth backdrop, which drove views that the ECB will finally start to move away from its ultra-loose policy stance next year, provided a key source of support for the Euro over the past 12 months.

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

Global stock markets

Our views

Global equity markets enjoyed a positive 2017 overall.

The MSCI World index ended 2017 20% up on year opening levels with the index continuing to climb right through to late January 2018. From that point a reappraisal of risk sentiment, amidst fears over the pace of central bank policy tightening, particularly at the Federal Reserve, saw a period of increased volatility. In addition, from early March, trade war worries increasingly became a concern. The MSCI World index closed the first quarter of 2018 8.1% off its January 2018 high. On Wall Street, the S&P500 was off to a similar extent.

European equity markets saw a more tentative and somewhat choppier path through 2017, ending the year 6% up on year opening levels after much intervening volatility, not helped by a string of high stake elections in the likes of France, Germany and the Netherlands and with an independence referendum (deemed illegal by the Spanish authorities) in Catalonia, Spain. At the start of 2018 European equity markets rose robustly amidst hopes of a more buoyant growth backdrop. The Eurostoxx 50 index rose 5% over the first three weeks of the year, but then turned sharply lower amidst the hit to the global risk backdrop that followed at the end of January.

The back end of 2017 saw a rally in South African domestic shares as the election of Cyril Ramaphosa as leader of the ANC led to renewed enthusiasm about the growth prospects for South Africa. There has so far been little hard evidence of a turnaround on the ground but longer-term growth forecasts have been revised up. While business confidence lifted in early 2018, it is not yet at levels that indicate a faster pace of business activity.

Operating environment

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

	As at 31 March 2018	As at 31 March 2017	% change	Average over the year 1 April 2017 to 31 March 2018
Market indicators				
FTSE All share	3 894	3 990	(2.4%)	4 062
JSE All share	55 475	52 056	6.6%	56 405
S&P	2 641	2 363	11.8%	2 550
Nikkei	21 454	18 909	13.5%	20 977
Dow Jones	24 103	20 663	16.6%	22 923
Rates				
UK overnight	0.44%	0.17%		0.31%
UK 10 year	1.35%	1.20%		1.27%
UK Clearing Banks Base Rate	0.50%	0.25%		0.35%
LIBOR – three month	0.71%	0.34%		0.41%
SA R186	7.99%	8.84%		8.63%
Rand overnight	6.76%	6.97%		6.81%
SA prime overdraft rate	10.00%	10.50%		10.32%
JIBAR – three month	6.87%	7.36%		7.16%
US 10 year	2.74%	2.39%		2.41%
Commodities				
Gold	US$1 324/oz	US$1 245/oz	6.3%	US$1 285/oz
Brent Crude Oil	US$70/bbl	US$53/bbl	32.1%	US$58/bbl
Platinum	US$936/oz	US$940/oz	(0.4%)	US$948/oz
Macro-economic				
UK GDP (% change over the calendar year)	1.8%	1.9%		
UK per capita GDP (calendar year, real value in Pounds at constant 2015 prices)*	29 670	29 328	1.2%	
South Africa GDP (% change over the calendar year)	1.3%	0.6%		
South Africa per capita GDP (calendar year, historical revised, real value in Rands at constant 2010 prices)	56 020	56 054	(0.1%)	

Sources: Bureau For Economic Research, Bloomberg, IRESS, Johannesburg Stock Exchange, Macrobond, SARB Quarterly Bulletin, World Economic Forum.

* *Population used in 2017 per capita GDP reflects estimated population as per the Office for National Statistics.*

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised briefly below with further details provided in Investec's 2018 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 85. The board recognises that, even with sound appetite and judgement, extreme events can happen which 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 considering 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.

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

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

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

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

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

We may be exposed to **investment risk** in our unlisted and listed investment portfolios.

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

Liquidity risk may impair our ability to fund our operations.

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

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

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

Employee misconduct could cause harm that is difficult to detect.

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

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

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

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

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

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

Statutory income statement analysis

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

Total operating income

Total operating income before impairment losses on loans and advances increased by 6.9% to £2 443.5 million (2017: £2 286.2 million).

£'000	31 March 2018	% of total income	31 March 2017	% of total income	% change
Net interest income	760 398	31.1%	679 895	29.7%	11.8%
Net fees and commissions income	1 361 207	55.7%	1 271 524	55.6%	7.1%
Investment income	130 048	5.3%	136 203	6.0%	(4.5%)
Share of post taxation profit of associates	46 823	1.9%	18 890	0.8%	147.9%
Trading income arising from customer flow	138 226	5.7%	158 001	6.9%	(12.5%)
Trading income arising from balance sheet management and other trading activities	(4 307)	(0.2%)	8 218	0.4%	(152.4%)
Other operating income	11 115	0.5%	13 483	0.6%	(17.6%)
Total operating income	**2 443 510**	**100.0%**	**2 286 214**	**100.0%**	**6.9%**

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

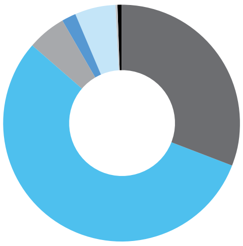
£'000	31 March 2018	% of total income	31 March 2017	% of total income	% change
UK and Other	1 380 219	56.5%	1 306 940	57.2%	5.6%
Southern Africa	1 063 291	43.5%	979 274	42.8%	8.6%
Total operating income before impairments	**2 443 510**	**100.0%**	**2 286 214**	**100.0%**	**6.9%**

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 2018	% of total income	31 March 2017	% of total income	% change
Asset Management	539 678	22.1%	497 990	21.8%	8.4%
Wealth & Investment	404 797	16.6%	360 569	15.8%	12.3%
Specialist Banking	1 499 035	61.3%	1 427 655	62.4%	5.0%
Total operating income before impairments	**2 443 510**	**100.0%**	**2 286 214**	**100.0%**	**6.9%**

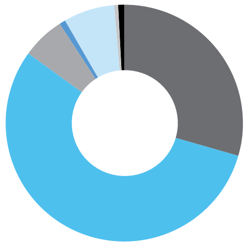
Financial review
(continued)

% of total operating income before impairments



31 March 2018
£2 443.5 million total operating income before impairments

Net interest income	31.1%
Net fee and commission income	55.7%
Investment income	5.3%
Share of post taxation profit of associates	1.9%
Trading income arising from customer flow	5.7%
Trading income arising from balance sheet management and other trading activities	(0.2%)
Other operating income	0.5%



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 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%

Net interest income

Net interest income increased by 11.8% to £760.4 million (2017: £679.9 million) driven by robust levels of lending activity across the banking businesses and further supported by a reduction in the UK's cost of funding. This was slightly offset by the roll off of higher yielding debt securities and increased subordinated debt in South Africa.

£'000	31 March 2018	31 March 2017	Variance	% change
Asset Management	5 471	5 118	353	6.9%
Wealth & Investment	10 744	11 968	(1 224)	(10.2%)
Specialist Banking	744 183	662 809	81 374	12.3%
Net interest income	**760 398**	**679 895**	**80 503**	**11.8%**

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 2018 £'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	6 486 676	26 413	8 025 280	425 715	14 511 956	452 128
Core loans and advances	2	9 687 224	518 070	15 444 873	1 366 945	25 132 097	1 885 015
Private client		3 785 828	161 107	10 426 762	916 099	14 212 590	1 077 206
Corporate, institutional and other clients		5 901 396	356 963	5 018 111	450 846	10 919 507	807 809
Other debt securities and other loans and advances		610 316	54 927	641 096	43 794	1 251 412	98 721
Other interest-earning assets	3	–	–	17 999	55 145	17 999	55 145
Total interest-earning assets		**16 784 216**	**599 410**	**24 129 248**	**1 891 599**	**40 913 464**	**2 491 009**

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 2018 £'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	3 712 857	(92 513)	2 591 437	(123 500)	6 304 294	(216 013)
Customer accounts (deposits)		11 624 157	(113 972)	19 363 016	(1 247 509)	30 987 173	(1 361 481)
Other interest-bearing liabilities	5	–	–	136 812	(24 389)	136 812	(24 389)
Subordinated liabilities		579 673	(55 345)	903 314	(73 383)	1 482 987	(128 728)
Total interest-bearing liabilities		**15 916 687**	**(261 830)**	**22 994 579**	**(1 468 781)**	**38 911 266**	**(1 730 611)**
Net interest income			**337 580**		**422 818**		**760 398**
Net interest margin (local currency)			**2.11%**		**1.84%****		

For the year to 31 March 2017 £'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	5 621 557	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**

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%****		

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 26.75% interest (2017: 27.86%). Excluding this debt funding cost, the net interest margin amounted to 1.99% (2017: 1.99%).*

Net fee and commission income

Net fee and commission income increased by 7.1% to £1 361.2 million (2017: £1 271.5 million) supported by higher average funds under management and strong net inflows in the Asset Management and Wealth Management businesses, as well as a good performance from the South African banking businesses.

£'000	31 March 2018	31 March 2017	Variance	% change
Asset Management	537 134	484 872	52 262	10.8%
Wealth & Investment	382 463	343 708	38 755	11.3%
Specialist Banking	441 610	442 944	(1 334)	(0.3%)
Net fee and commission income	**1 361 207**	**1 271 524**	**89 683**	**7.1%**

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

For the year to 31 March 2018 £'000	UK and Other	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	**652 137**	**267 460**	**919 597**
Fund management fees/fees for assets under management	743 670	232 550	976 220
Private client transactional fees	54 629	42 348	96 977
Fee and commission expense	(146 162)	(7 438)	(153 600)
Specialist Banking net fee and commission income	**197 797**	**243 813**	**441 610**
Corporate and institutional transactional and advisory services	192 579	216 216	408 795
Private client transactional fees	14 757	46 698	61 455
Fee and commission expense	(9 539)	(19 101)	(28 640)
Net fee and commission income	**849 934**	**511 273**	**1 361 207**
Annuity fees (net of fees payable)	662 924	439 834	1 102 758
Deal fees	187 010	71 439	258 449

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	**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

Investment income

Investment income reduced by 4.5% to £130.0 million (2017: £136.2 million) as a result of a weaker performance from the unlisted investment portfolio in South Africa as well as the group's investments in its listed property funds.

£'000	31 March 2018	31 March 2017	Variance	% change
Asset Management	(15)	143	(158)	(> 100.0%)
Wealth & Investment	10 551	2 269	8 282	> 100.0%
Specialist Banking	119 512	133 791	(14 279)	(10.7%)
Investment income	**130 048**	**136 203**	**(6 155)**	**(4.5%)**

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

For the year to 31 March 2018 £'000	UK and Other	Southern Africa	Total group
Realised	43 504	62 120	105 624
Unrealised^	6 435	(15 769)	(9 334)
Dividend income	10 171	18 107	28 278
Funding and other net related income/(costs)	8 405	(2 925)	5 480
Investment income	**68 515**	**61 533**	**130 048**

For the year to 31 March 2018 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**62 106**	**8 509**	**(86)**	**(2 014)**	**68 515**
Realised	38 516	5 779	(86)	(705)	43 504
Unrealised^	13 419	2 730	–	(9 714)	6 435
Dividend income	10 171	–	–	–	10 171
Funding and other net related income	–	–	–	8 405	8 405
Southern Africa	**11 832**	**7 338**	**39 499**	**2 864**	**61 533**
Realised	41 070	7 338	12 580	1 132	62 120
Unrealised^	(42 529)	–	26 919	(159)	(15 769)
Dividend income	17 986	–	–	121	18 107
Funding and other net related (costs)/income	(4 695)	–	–	1 770	(2 925)
Total investment income	**73 938**	**15 847**	**39 413**	**850**	**130 048**

* *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.*

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(continued)

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.*

Share of post taxation profit of associates

Share of post taxation profit of associates of £46.8 million (2017: £18.9 million) primarily reflects earnings in relation to the group's investment in the IEP Group Proprietary Limited (IEP Group).

Trading income

Trading income arising from customer flow decreased by 12.5% to £138.2 million (2017: £158.0 million) as a consequence of lower volatility, relative to the elevated levels experienced in the prior year following the Brexit vote, as well as losses incurred in South Africa on Steinhoff (refer to page 53 for additional information). Trading income from other trading activities reflected a loss of £4.3 million (2017: £8.2 million income) predominantly impacted by currency volatility over the year.

Arising from customer flow

£'000	31 March 2018	31 March 2017	Variance	% change
Wealth & Investment	537	1 028	(491)	(47.8%)
Specialist Banking	137 689	156 973	(19 284)	(12.3%)
Trading income arising from customer flow	**138 226**	**158 001**	**(19 775)**	**(12.5%)**

Arising from balance sheet management and other trading activities

£'000	31 March 2018	31 March 2017	Variance	% change
Asset Management	(5 077)	2 213	(7 290)	(>100.0%)
Wealth & Investment	(150)	87	(237)	(>100.0%)
Specialist Banking	920	5 918	(4 998)	(84.5%)
Trading income arising from balance sheet management and other trading activities	**(4 307)**	**8 218**	**(12 525)**	**(>100%)**

Impairment losses on loans and advances

Impairments on loans and advances increased from £111.5 million to £148.6 million, largely reflecting an increase in impairments for accelerated exits anticipated to occur on certain legacy assets. The credit loss ratio on core loans and advances amounted to 0.61% (2017: 0.54%). Since 31 March 2017 gross defaults have increased from £476.0 million to £532.7 million largely due to a few specific defaults in the UK banking business. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.17% (31 March 2017: 1.22%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.72 times (31 March 2017: 1.63 times).

Further information is provided on page 35 in volume two of the Investec 2018 integrated annual report.

£'000	31 March 2018	31 March 2017	Variance	% change
UK and Other	(106 085)	(74 956)	(31 129)	41.5%
Southern Africa	(42 471)	(36 498)	(5 973)	16.4%
Total impairment losses on loans and advances	**(148 556)**	**(111 454)**	**(37 102)**	**33.3%**
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(726)	(659)	(67)	10.2%

Operating costs

The cost to income ratio amounted to 66.9% (2017: 66.3%). Our cost to income ratio will remain elevated as we continue to invest in a number of growth strategies across the businesses which should yield returns in the medium term. Total operating costs grew by 7.9% to £1 635.2 million (2017: £1 515.4 million) reflecting continued investment into IT and digital initiatives and higher headcount across divisions to support increased activity and growth strategies; notably the build out of the UK private client offerings in the Specialist Banking and Wealth & Investment businesses. Cost growth in South Africa was somewhat offset by the pending acquisition of the South African head office building and the related rental provision no longer required.

£'000	31 March 2018	% of total operating costs	31 March 2017	% of total operating costs	% change
Staff costs	(1 191 691)	72.9%	(1 079 701)	71.2%	10.4%
– fixed	(773 802)	47.3%	(690 161)	45.5%	12.1%
– variable	(417 889)	25.6%	(389 540)	25.7%	7.3%
Business expenses	(190 385)	11.6%	(177 057)	11.7%	7.5%
Premises expenses (excluding depreciation)	(59 442)	3.7%	(80 083)	5.3%	(25.8%)
Equipment expenses (excluding depreciation)	(93 928)	5.8%	(82 928)	5.5%	13.3%
Marketing expenses	(70 911)	4.3%	(70 625)	4.7%	0.4%
Depreciation and impairment of property, plant, equipment and software	(26 383)	1.6%	(22 837)	1.5%	15.5%
Depreciation on operating leased assets	(2 421)	0.1%	(2 169)	0.1%	11.6%
Total operating costs	**(1 635 161)**	**100.0%**	**(1 515 400)**	**100.0%**	**7.9%**

Financial review

(continued)

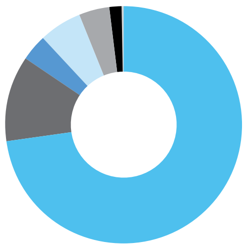
The following table sets out certain information on total operating costs by geography for the year under review.

£'000	31 March 2018	% of total operating costs	31 March 2017	% of total operating costs	% change
UK and Other	(1 076 462)	65.8%	(1 007 271)	66.5%	6.9%
Southern Africa	(558 699)	34.2%	(508 129)	33.5%	10.0%
Total operating costs	**(1 635 161)**	**100.0%**	**(1 515 400)**	**100.0%**	**7.9%**

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

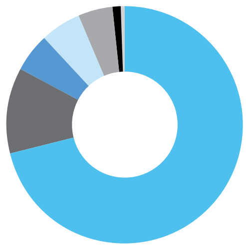
£'000	31 March 2018	% of total operating costs	31 March 2017	% of total operating costs	% change
Asset Management	(361 633)	22.1%	(333 166)	22.0%	8.5%
Wealth & Investment	(306 232)	18.7%	(267 326)	17.6%	14.6%
Specialist Banking	(917 698)	56.2%	(866 132)	57.2%	6.0%
Group costs	(49 598)	3.0%	(48 776)	3.2%	1.7%
Total operating costs	**(1 635 161)**	**100.0%**	**(1 515 400)**	**100.0%**	**7.9%**

% of total operating costs



31 March 2018
£1 635.2 million total operating costs

Staff costs	72.9%
Business expenses	11.6%
Premises expenses	3.7%
Equipment expenses	5.8%
Marketing expenses	4.3%
Depreciation and impairment of property, plant, equipment and software	1.6%
Depreciation on operating leased assets	0.1%



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%

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 1.4% from £599.1 million to £607.5 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 2018 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	103 918	74 127	178 045	8.0%	29.3%
Wealth & Investment	69 269	29 296	98 565	5.7%	16.2%
Specialist Banking	59 958	320 535	380 493	(2.4%)	62.6%
	233 145	**423 958**	**657 103**	**1.4%**	**108.1%**
Group costs	(33 789)	(15 809)	(49 598)	(1.7%)	(8.1%)
Total group	**199 356**	**408 149**	**607 505**	**1.4%**	**100.0%**
Other non-controlling interest – equity			52 288		
Operating profit			**659 793**		
% change	**(11.4%)**	**9.1%**	**1.4%**		
% of total	**32.8%**	**67.2%**	**100.0%**		

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			35 201		
Operating profit			**659 360**		
% of total	**37.5%**	**62.5%**	**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 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Operating margin	33.0%	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	5.6%	(0.8%)	4.1%	4.6%	3.7%	6.7%	8.8%
Average income yield earned on funds under management^	0.54%	0.58%	0.55%	0.60%	0.60%	0.62%	0.62%

Wealth & Investment

Global business (in Pounds Sterling)	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Operating margin	24.3%	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	3.6%	2.7%	4.5%	6.6%	3.5%	2.0%	(5.3%)
Average income yield earned on funds under management^	0.73%	0.72%	0.71%	0.72%	0.71%	0.66%	0.61%
UK and Other^^ (in Pounds Sterling)							
Operating margin^^	22.0%	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	5.0%	4.2%	4.5%	7.1%	5.1%	1.3%	(7.4%)
Average income yield earned on funds under management^	0.87%	0.85%	0.87%	0.89%	0.89%	0.86%	0.80%
South Africa (in Rands)							
Operating margin	32.3%	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	4.6%	8.1%	10.4%	8.5%	13.6%	13.9%	8.7%
Average income yield earned on funds under management^*	0.49%	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 23.2% (2017: 26.8%).*

Specialist Banking – statutory basis

Global business (in Pounds Sterling)	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Cost to income ratio	61.2%*	60.6%*	60.1%*	63.1%*	63.2%*	63.1%	62.4%
ROE post-tax^	9.2%	10.5%	10.1%	8.6%	7.9%	6.4%	5.1%
ROE post-tax (ongoing business)^	11.7%	12.6%	13.0%	12.8%	11.9%	–	–
Growth in net core loans	10.7%	25.3%	5.4%	0.2%^^	(6.8%)	1.0%	(2.8%)
Growth in risk-weighted assets	5.6%	22.2%	2.2%	(4.9%)^^	(6.0%)	4.7%	1.5%
Defaults (net of impairments as a % of core loans)	1.17%	1.22%	1.54%	2.07%	2.30%	2.73%	3.31%
Credit loss ratio on core loans	0.61%	0.54%	0.62%	0.68%	0.68%	0.84%	1.12%
UK and Other# (in Pounds Sterling)							
Cost to income ratio	76.9%*	74.8%*	73.4%*	78.9%*	72.5%*	69.0%	68.3%
ROE post-tax^	3.2%	7.0%	5.5%	2.1%	3.6%	1.7%	(1.8%)
ROE post-tax (ongoing business)**^	8.5%	11.5%	11.4%	9.6%	10.9%	–	–
Growth in net core loans	12.4%	10.5%	10.5%	(14.1%)^^	(0.3%)	6.6%	0.3%
Growth in risk-weighted assets	8.2%	8.4%	6.7%	(15.5%)^^	0.4%	7.7%	4.6%
Defaults (net of impairments as a % of core loans)	2.16%	1.55%	2.19%	3.00%	3.21%	3.75%	4.10%
Credit loss ratio on core loans	1.14%	0.90%	1.13%	1.16%	0.99%	1.16%	1.65%
Southern Africa (in Rands)							
Cost to income ratio	47.1%*	46.9%*	46.5%*	47.2%*	51.0%*	55.5%	55.2%
ROE post-tax^	12.8%	12.7%	15.1%	15.2%	12.5%	10.0%	9.6%
ROE post-tax (excluding investment activities)##	14.1%	15.3%	15.2%	14.8%	–	–	–
Growth in net core loans	8.7%	8.4%	19.7%	16.1%	10.6%	10.2%	6.6%
Growth in risk-weighted assets	3.0%	6.2%	15.1%	8.3%	11.0%	16.5%	11.9%
Defaults (net of impairments as a % of core loans)	0.56%	1.02%	1.05%	1.43%	1.46%	1.89%	2.73%
Credit loss ratio on core loans	0.28%	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 in its respective geographies to derive post-tax numbers. For 31 March 2018 in South Africa we have applied a 'normalised' tax rate of 18%. Capital allocated to the Specialist Bank as at 31 March 2018 was c.£1.5 billion in the UK and c.R35 billion in South Africa.*

^^ *Impacted by sale of assets.*

* *Excludes group costs.*

** *Further information is provided on page 66.*

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

\## *Refer to page 78 for further information on the group's investment activities in South Africa.*

Impairment of goodwill

There was no impairment of goodwill in the current year.

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.

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2018	31 March 2017
UK and Other	**356 265**	**355 155**
Asset Management	88 045	88 045
Wealth & Investment	243 343	243 169
Specialist Banking	24 877	23 941
South Africa	**12 538**	**12 424**
Wealth & Investment	2 174	2 061
Specialist Banking	10 364	10 363
Intangible assets	**125 389**	**143 261**
Total group	**494 192**	**510 840**

Taxation

The effective tax rate amounted to 9.6% (2017: 18.5%) mainly impacted by the lower rate in South Africa following the release of provisions no longer required.

	Effective operational tax rates				
	2018	2017	31 March 2018 £'000	31 March 2017 £'000	% change
UK and Other	19.6%	17.6%	(38 509)	(39 144)	(1.6%)
Southern Africa	4.9%	19.0%	(20 590)	(79 344)	(74.0%)
Tax	**9.6%**	**18.5%**	**(59 099)**	**(118 488)**	**(50.1%)**

We have published our tax strategy for Investec plc on our website in accordance with UK tax law.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests mainly comprises:

- £23.8 million profit attributable to non-controlling interests in the Asset Management business (2017: £20.3 million)
- £52.6 million profit attributable to non-controlling interests in the Investec Property Fund Limited (2017: £59.9 million).

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £442.5 million to £505.5 million.

Dividends and earnings per share

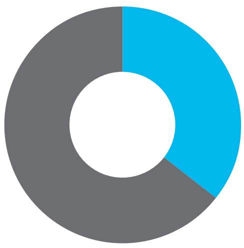
Information with respect to dividends and earnings per share is provided on pages 208 and 209.

Statutory balance sheet analysis

Since 31 March 2017:

- Total equity increased by 12.9% to £5.4 billion largely due to an increase in retained earnings and the issuance of Additional Tier 1 securities during the year.
- Net asset value per share increased 5.0% to 452.5 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased by 6.5% to 401.5 pence.
- The return on adjusted average shareholders' equity decreased from 12.5% to 12.1%.

Assets by geography



31 March 2018
£57 617 million total assets

UK and Other	35.7%
Southern Africa	64.3%

31 March 2017
£53 535 million total assets

UK and Other	34.8%
Southern Africa	65.2%

Additional information

On 11 December 2017 the group released an announcement on the Johannesburg Stock Exchange in relation to its exposures to Steinhoff International Holdings NV (Steinhoff), its subsidiaries and related entities. Trading and investment losses incurred in respect of these exposures amounted to R220 million (approximately £13 million) in the current financial year, less than the estimate referred to in the December announcement. As noted in that announcement Investec has credit exposures largely to Steinhoff Africa Holdings Proprietary Limited subsidiaries and Steinhoff Africa Retail Limited, which represent a small portion of the group's balance sheet. Based on the information currently available to the group, Investec is not expecting to suffer any losses on these exposures.

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 2018	31 March 2017
Shareholders' equity	4 442 094	4 131 093
Less: perpetual preference shares issued by holding companies	(216 343)	(214 645)
Less: goodwill and intangible assets (excluding software)	(475 922)	(490 841)
Net tangible asset value	**3 749 829**	**3 425 607**
Number of shares in issue (million)	980.6	958.3
Treasury shares (million)	(46.7)	(49.7)
Number of shares in issue in this calculation (million)	**933.9**	**908.6**
Net tangible asset value per share (pence)	**401.5**	**377.0**
Net asset value per share (pence)	**452.5**	**431.0**

Statutory return on risk-weighted assets

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

	31 March 2018	31 March 2017	Average	31 March 2016	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	**491 062**	**434 504**		**359 732**	
Investec plc risk-weighted assets (£'million)	14 411	13 312	13 862	12 297	12 805
Investec Limited risk-weighted assets^ (£'million)	20 366	19 667	20 016	14 626	17 146
Total risk-weighted assets (£'million)	**34 777**	**32 979**	**33 878**	**26 923**	**29 951**
Return on average risk-weighted assets	**1.45%**	**1.45%**		**1.34%**	
^Investec Limited risk-weighted assets (R'million)	**338 484**	**329 808**	**334 146**	**309 052**	**319 430**

Capital management and allocation

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

A summary of capital adequacy and leverage ratios

As at 31 March 2018	Investec plc°*	IBP°*	Investec Limited*^	IBL*^
Common equity tier 1 (as reported)	11.0%	11.9%	10.2%	10.9%
Common equity tier 1 ('fully loaded')^^	11.0%	11.9%	10.2%	10.9%
Tier 1 (as reported)	12.9%	13.4%	11.0%	11.2%
Total capital adequacy ratio (as reported)	15.4%	16.6%	14.6%	15.5%
Leverage ratio** – current	8.5%	8.6%	7.5%#	7.7%#
Leverage ratio** – 'fully loaded'^^	8.4%	8.6%	7.1%#	7.5%#

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** – current	7.8%	8.2%	7.3%#	7.6%#
Leverage ratio** – 'fully loaded'^^	7.7%	8.2%	6.8%#	7.4%#

* *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 leverage ratios are calculated on an end-quarter basis.*

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating CET 1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of this deduction totalling £65 million (31 March 2017: £60 million) for Investec plc and £18 million (31 March 2017: £34 million) for IBP would lower the CET 1 ratio by 45bps (31 March 2017: 45bps) and 13bps (31 March 2017: 28bps) respectively.*

^ *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 25bps and 13bps lower, respectively. At 31 March 2017, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 13bps lower.*

^^ *The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under the CRD IV rules/South African Prudential Authority. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Based on revised BIS rules.

Return on equity by country and business – statutory

£'000	31 March 2018	31 March 2017	Average	31 March 2016	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	4 225 751	3 916 448	4 071 100	3 060 029	3 488 239
Goodwill and intangible assets (excluding software)	(475 922)	(490 841)	(483 382)	(503 996)	(497 419)
Adjusted tangible shareholders' equity	**3 749 829**	**3 425 607**	**3 587 718**	**2 556 033**	**2 990 820**

£'000	31 March 2018	31 March 2017
Operating profit*	659 793	659 360
Non-controlling interests	(76 105)	(80 530)
Accrued preference dividends, adjusted for currency hedge	(33 527)	(25 838)
Revised operating profit	**550 161**	**552 992**
Taxation on operating profit before goodwill and acquired intangibles	(59 099)	(118 488)
Adjusted attributable earnings to ordinary shareholders*	**491 062**	**434 504**
Pre-tax return on average adjusted shareholders' equity	13.5%	15.9%
Post-tax return on average adjusted shareholders' equity	12.1%	12.5%
Pre-tax return on average adjusted tangible shareholders' equity	15.3%	18.5%
Post-tax return on average adjusted tangible shareholders' equity	13.7%	14.5%

Return on equity on an ongoing basis is provided on page 66.

* *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
Total operating profit	197 672	462 121	659 793	291 174
Tax on profit on ordinary activities	(38 509)	(20 590)	(59 099)	(56 858)
Non-controlling interests	(13 079)	(63 026)	(76 105)	(13 079)
Preference dividends paid	(7 129)	(26 398)	(33 527)	(7 129)
Profit on ordinary activities after taxation – 31 March 2018	**138 955**	**352 107**	**491 062**	**214 108**
Profit on ordinary activities after taxation – 31 March 2017	173 503	261 001	434 504	226 145
Ordinary shareholders' equity – 31 March 2018	**2 050 127**	**2 175 624**	**4 225 751**	**2 002 909**
Goodwill and intangible assets (excluding software)	(447 135)	(28 787)	(475 922)	(447 135)
Tangible ordinary shareholders' equity – 31 March 2018	**1 602 992**	**2 146 837**	**3 749 829**	**1 555 774**
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
Average ordinary shareholders' equity – 31 March 2018	**2 020 912**	**2 050 188**	**4 071 100**	**1 968 847**
Average tangible shareholders' equity – 31 March 2018	1 567 722	2 019 996	3 587 718	1 515 657
Post-tax return on average ordinary shareholders' equity – 31 March 2018	**6.9%**	**17.2%**	**12.1%**	**10.9%**
Post-tax return on average ordinary shareholders' equity – 31 March 2017	9.4%	16.0%	12.5%	12.6%
Post-tax return on adjusted tangible shareholders' equity – 31 March 2018	**8.9%**	**17.4%**	**13.7%**	**14.1%**
Post-tax return on adjusted tangible shareholders' equity – 31 March 2017	12.5%	16.3%	14.5%	17.1%
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2018	**8.8%**	**18.2%**	**13.5%**	**13.8%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2017	11.5%	20.8%	15.9%	15.5%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2018	**11.3%**	**18.5%**	**15.3%**	**17.9%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2017	15.3%	21.2%	18.5%	20.9%

Return on equity by business*

£'000	Asset Management	Wealth & Investment^	Specialist Banking	Specialist Banking ongoing**
Operating profit#	**178 045**	**98 565**	**380 493**	**473 995**
Notional return on regulatory capital	3 174	1 889	(5 063)	(5 063)
Notional cost of statutory capital	(3 442)	(4 542)	7 984	7 984
Cost of subordinated debt	(1 403)	(1 147)	2 550	2 550
Cost of preference shares	(790)	(595)	(32 142)	(32 142)
Adjusted earnings – 31 March 2018	**175 584**	**94 170**	**353 822**	**447 324**
Adjusted earnings – 31 March 2017	**162 399**	**88 734**	**370 917**	**435 509**
Ordinary shareholders' equity – 31 March 2018	**199 416**	**235 181**	**3 632 104**	**3 584 886**
Goodwill and intangible assets (excluding software)	(88 045)	(179 223)	(49 604)	(49 604)
Tangible ordinary shareholders' equity – 31 March 2018	**111 371**	**55 958**	**3 582 500**	**3 535 282**
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**
Average ordinary shareholders' equity – 31 March 2018	**192 920**	**243 352**	**3 475 777**	**3 423 712**
Average ordinary shareholders' equity – 31 March 2017	179 026	248 913	2 901 249	2 837 783
Average tangible shareholders' equity – 31 March 2018	**104 868**	**57 887**	**3 424 963**	**3 372 897**
Average tangible shareholders' equity – 31 March 2017	90 400	51 292	2 849 127	2 785 660
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2018	**91.0%**	**38.7%**	**10.2%**	**13.1%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2017	90.7%	35.7%	12.8%	15.3%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2018	**167.4%**	**162.7%**	**10.3%**	**13.3%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2017	179.6%	173.0%	13.0%	15.6%

* *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 68.*

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

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

Operating profit increased 1.4% to £607.5 million (2017: £599.1 million). Refer to the statutory income statement analysis on pages 41 to 49 for further information. Average headcount increased across divisions by 6.3% to 9 931 (2017: 9 341) to support increased activity and growth strategies; notably the build out of the UK private client offerings in the Specialist Banking and Wealth & Investment businesses.

By division	Asset Management	Wealth & Investment	Specialist Banking
Number of employees – 31 March 2018	**1 592**	**1 821**	**6 733**
Number of employees – 31 March 2017	1 654	1 697	6 365
Number of employees – 31 March 2016	1 543	1 597	5 826
Average employees – year to 31 March 2018	**1 623**	**1 759**	**6 549**
Average employees – year to 31 March 2017	1 598	1 647	6 096
Operating profit* – year to 31 March 2018 (£'000)	**178 045**	**98 565**	**380 493**
Operating profit* – year to 31 March 2017 (£'000)	164 824	93 243	389 830
Operating profit per employee^ – year to 31 March 2018 (£'000)	**109.7^^**	**56.0**	**58.1**
Operating profit per employee^ – year to 31 March 2017 (£'000)	103.1^^	56.6	63.9

* *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 2018	**4 472**	**5 674**	**10 146**
Number of employees – 31 March 2017	4 165	5 551	9 716
Number of employees – 31 March 2016	3 869	5 097	8 966
Average employees – year to 31 March 2018	**4 318**	**5 613**	**9 931**
Average employees – year to 31 March 2017	4 017	5 324	9 341
Operating profit – year to 31 March 2018 (£'000)	**199 356**	**408 149**	**607 505**
Operating profit – year to 31 March 2017 (£'000)	224 893	374 228	599 121
Operating profit per employee^ – year to 31 March 2018	**46.2**	**72.7**	**61.2**
Operating profit per employee^ – year to 31 March 2017 (£'000)	56.0	70.3	64.1

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

Total third party assets under management

£'million	31 March 2018	31 March 2017
Asset Management	**103 862**	**95 287**
UK and Other	69 371	61 379
Southern Africa	34 491	33 908
Wealth & Investment	**56 048**	**54 773**
UK and Other	36 923	35 555
Southern Africa	19 125	19 218
Specialist Banking	**666**	**675**
UK and Other	353	386
Southern Africa	313	289
	160 576	**150 735**

A further analysis of third party assets under management

At 31 March 2018 £'million	UK and Other	Southern Africa	Total
Asset Management	**69 371**	**34 491**	**103 862**
Mutual funds	29 615	15 126	44 741
Segregated mandates	39 756	19 365	59 121
Wealth & Investment	**36 923**	**19 125**	**56 048**
Discretionary	28 638	6 936	35 574
Non-discretionary	8 285	12 189	20 474
Specialist Banking	**353**	**313**	**666**
	106 647	**53 929**	**160 576**

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**

Overview of our ongoing results

In order to present a more meaningful view of the group's performance, additional management information is presented on the group's ongoing businesses. This information is set out on pages 61 to 67.

The additional information presented on an ongoing basis excludes items that in management's view could distort the comparison of performance between periods. Based on this principle, the remaining legacy business in the UK (as set out on page 68) has been excluded from underlying statutory profit to derive the group's ongoing operating profit.

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2017.

A reconciliation between the statutory and ongoing income statement is provided on pages 62 and 63.

All information in our abridged report is based on our statutory accounts unless otherwise indicated.

	Results in Pounds Sterling			Results in Rand		
	Year to 31 March 2018	Year to 31 March 2017	% change	Year to 31 March 2018	Year to 31 March 2017	% change
Operating profit before taxation* (million)	£701.0	£663.7	5.6%	R12 022	R12 075	(0.4%)
Adjusted earnings attributable to shareholders** (million)	£566.2	£487.1	16.2%	R9 689	R8 849	9.5%
Adjusted earnings per share**	61.3p	54.1p	13.3%	1 049c	983c	6.7%

* *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.*

Consolidated summarised ongoing income statement

For the year to £'000	31 March 2018	31 March 2017	Variance	% change
Net interest income	760 101	680 539	79 562	11.7%
Net fee and commission income	1 361 214	1 271 591	89 623	7.0%
Investment income	129 722	135 631	(5 909)	(4.4%)
Share of post taxation profit of associates	46 823	18 890	27 933	>100%
Trading income arising from				
– customer flow	138 244	158 006	(19 762)	(12.5%)
– balance sheet management and other trading activities	(4 326)	8 078	(12 404)	(>100%)
Other operating income	11 038	13 158	(2 120)	(16.1%)
Total operating income before impairment losses on loans and advances	**2 442 816**	**2 285 893**	**156 923**	**6.9%**
Impairment losses on loans and advances	(63 890)	(57 149)	(6 741)	11.8%
Operating income	**2 378 926**	**2 228 744**	**150 182**	**6.7%**
Operating costs	(1 623 210)	(1 502 623)	(120 587)	8.0%
Depreciation on operating leased assets	(2 421)	(2 169)	(252)	11.6%
Operating profit before goodwill, acquired intangibles and non-operating items	**753 295**	**723 952**	**29 343**	**4.1%**
Profit attributable to other non-controlling interests	(52 288)	(60 239)	7 951	(13.2%)
Profit attributable to Asset Management non-controlling interests	(23 817)	(20 291)	(3 526)	17.4%
Operating profit before taxation	**677 190**	**643 422**	**33 768**	**5.2%**
Taxation	(77 448)	(130 438)	52 990	(40.6%)
Preference dividends accrued	(33 527)	(25 838)	(7 689)	29.8%
Adjusted attributable earnings to ordinary shareholders	**566 215**	**487 146**	**79 069**	**16.2%**
Adjusted earnings per share (pence)	61.3	54.1		13.3%
Number of weighted average shares (million)	923.5	900.4		
Cost to income ratio	66.5%	65.8%		

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2018 £'000	Statutory as disclosed	Removal of: UK legacy business	Ongoing business
Net interest income/(expense)	760 398	297	760 101
Net fee and commission income/(expense)	1 361 207	(7)	1 361 214
Investment income	130 048	326	129 722
Share of post taxation profit of associates	46 823	–	46 823
Trading income/(losses) arising from			
– customer flow	138 226	(18)	138 244
– balance sheet management and other trading activities	(4 307)	19	(4 326)
Other operating income	11 115	77	11 038
Total operating income before impairment losses on loans and advances	**2 443 510**	**694**	**2 442 816**
Impairment losses on loans and advances	(148 556)	(84 666)	(63 890)
Operating income/(loss)	**2 294 954**	**(83 972)**	**2 378 926**
Operating costs	(1 632 740)	(9 530)	(1 623 210)
Depreciation on operating leased assets	(2 421)	–	(2 421)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**659 793**	**(93 502)**	**753 295**
Profit attributable to other non-controlling interests	(52 288)	–	(52 288)
Profit attributable to Asset Management non-controlling interests	(23 817)	–	(23 817)
Operating profit/(loss) before taxation	**583 688**	**(93 502)**	**677 190**
Taxation	(59 099)	18 349*	(77 448)
Preference dividends accrued	(33 527)	–	(33 527)
Adjusted attributable earnings to ordinary shareholders	**491 062**	**(75 153)**	**566 215**
Adjusted earnings per share (pence)	53.2		61.3
Number of weighted average shares (million)	923.5		923.5
Cost to income ratio	66.9%		66.5%

* *Applying the UK's effective taxation rate of 19.6%.*

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2017 £'000	Statutory as disclosed	Removal of: 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 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 UK and Other Specialist Banking Business

For the year to 31 March 2018 £'000	UK and Other Specialist Banking statutory as disclosed	Removal of: UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income/(expense)	332 157	297	331 860
Net fee and commission income/(expense)	197 797	(7)	197 804
Investment income	58 116	326	57 790
Share of post taxation profit of associates	1 021	–	1 021
Trading income/(losses) arising from			–
– customer flow	113 370	(18)	113 388
– balance sheet management and other trading activities	3 127	19	3 108
Other operating income	8 055	77	7 978
Total operating income before impairment losses on loans and advances	**713 643**	**694**	**712 949**
Impairment losses on loans and advances	(106 085)	(84 666)	(21 419)
Operating income/(loss)	**607 558**	**(83 972)**	**691 530**
Operating costs	(546 934)	(9 530)	(537 404)
Depreciation on operating leased assets	(2 350)	–	(2 350)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**58 274**	**(93 502)**	**151 776**
Profit attributable to other non-controlling interests	1 684	–	1 684
Operating profit/(loss) before taxation	**59 958**	**(93 502)**	**153 460**

For the year to 31 March 2017 £'000	UK and Other Specialist Banking statutory as disclosed	Removal of: 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 profit of associates	840	–	840
Trading income/(loss) 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**

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 2018 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	103 918	74 127	178 045	8.0%	25.4%
Wealth & Investment	69 269	29 296	98 565	5.7%	14.1%
Specialist Banking	153 460	320 535	473 995	4.3%	67.6%
	326 647	**423 958**	**750 605**	**5.3%**	**107.1%**
Group costs	(33 789)	(15 809)	(49 598)	1.7%	(7.1%)
Total group	**292 858**	**408 149**	**701 007**	**5.6%**	**100.0%**
Other non-controlling interest – equity			52 288		
Operating profit			**753 295**		
% change	**1.2%**	**9.1%**	**5.6%**		
% of total	**41.8%**	**58.2%**	**100.0%**		

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**		
% of total	**43.6%**	**56.4%**	**100.0%**		

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

£'000	31 March 2018	31 March 2017	% change
Total ongoing UK and Other Specialist Banking per above	**153 460**	**169 196**	**(9.3%)**
UK legacy remaining	(93 502)	(64 592)	(44.8%)
Total UK and Other Specialist Banking per statutory accounts	**59 958**	**104 604**	**(42.7%)**

Return on equity – ongoing basis

£'000	31 March 2018	31 March 2017	Average	31 March 2016	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	4 178 533	3 859 535	4 019 034	2 990 009	3 424 772
Goodwill and intangible assets (excluding software)	(475 922)	(490 841)	(483 382)	(503 996)	(497 419)
Adjusted tangible shareholders' equity	**3 702 611**	**3 368 694**	**3 535 652**	**2 486 013**	**2 927 353**

£'000	31 March 2018	31 March 2017
Operating profit*	753 295	723 952
Non-controlling interests	(76 105)	(80 530)
Accrued preference dividends, adjusted for currency hedge	(33 527)	(25 838)
Revised operating profit	**643 663**	**617 584**
Taxation on operating profit before goodwill and acquired intangibles	(77 448)	(130 438)
Adjusted attributable earnings to ordinary shareholders*	**566 215**	**487 146**
Pre-taxation return on average adjusted shareholders' equity	16.0%	18.0%
Post-taxation return on average adjusted shareholders' equity	14.1%	14.2%
Pre-taxation return on average adjusted tangible shareholders' equity	18.2%	21.1%
Post-taxation return on average adjusted tangible shareholders' equity	16.0%	16.6%

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

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

	Statutory as disclosed	Removal of: UK Legacy business	Ongoing business
31 March 2018 (£'000)			
Gross core loans and advances to customers	**25 370 248**	**426 453**	**24 943 795**
Total impairments	**(238 151)**	**(113 406)**	**(124 745)**
Specific impairments	(137 711)	(52 506)	(85 205)
Portfolio impairments	(100 440)	(60 900)	(39 540)
Net core loans and advances to customers	**25 132 097**	**313 047**	**24 819 050**
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**

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

£'000	UK and Other 31 March 2018	UK and Other 31 March 2017	Southern Africa 31 March 2018	Southern Africa 31 March 2017	Total group 31 March 2018	Total group 31 March 2017
Gross core loans and advances to customers	**9 412 611**	**8 169 901**	**15 531 184**	**14 158 547**	**24 943 795**	**22 328 448**
Total impairments	**(38 434)**	**(25 356)**	**(86 311)**	**(72 152)**	**(124 745)**	**(97 508)**
Specific impairments	(37 357)	(12 393)	(47 848)	(52 689)	(85 205)	(65 082)
Portfolio impairments	(1 077)	(12 963)	(38 463)	(19 463)	(39 540)	(32 426)
Net core loans and advances to customers	**9 374 177**	**8 144 545**	**15 444 873**	**14 086 395**	**24 819 050**	**22 230 940**
% change of net core loans and advances to customers since March 2017	15.1%		9.6%		11.6%	
Average gross core loans and advances to customers	**8 791 256**	**7 706 123**	**14 844 866**	**12 258 560**	**23 636 122**	**19 964 683**
Total income statement charge for impairments on core loans and advances	**(21 198)**	**(20 690)**	**(40 788)**	**(36 580)**	**(61 986)**	**(57 270)**
Gross default loans and advances to customers	157 203	34 166	172 086	215 633	329 289	249 799
Specific impairments	(37 357)	(12 393)	(47 848)	(52 689)	(85 205)	(65 082)
Portfolio impairments	(1 077)	(12 963)	(38 463)	(19 463)	(39 540)	(32 426)
Defaults net of impairments before collateral held	**118 769**	**8 810**	**85 775**	**143 481**	**204 544**	**152 291**
Collateral and other credit enhancements	130 498	25 948	213 776	259 057	344 274	285 005
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios:						
Total impairments as a % of gross core loans and advances to customers	0.41%	0.31%	0.56%	0.51%	0.50%	0.44%
Total impairments as a % of gross default loans	24.45%	74.21%	50.12%	33.46%	37.88%	39.03%
Gross defaults as a % of gross core loans and advances to customers	1.67%	0.42%	1.11%	1.52%	1.32%	1.12%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.27%	0.11%	0.56%	1.02%	0.82%	0.69%
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)	0.24%	0.27%	0.28%	0.29%	0.26%	0.29%

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

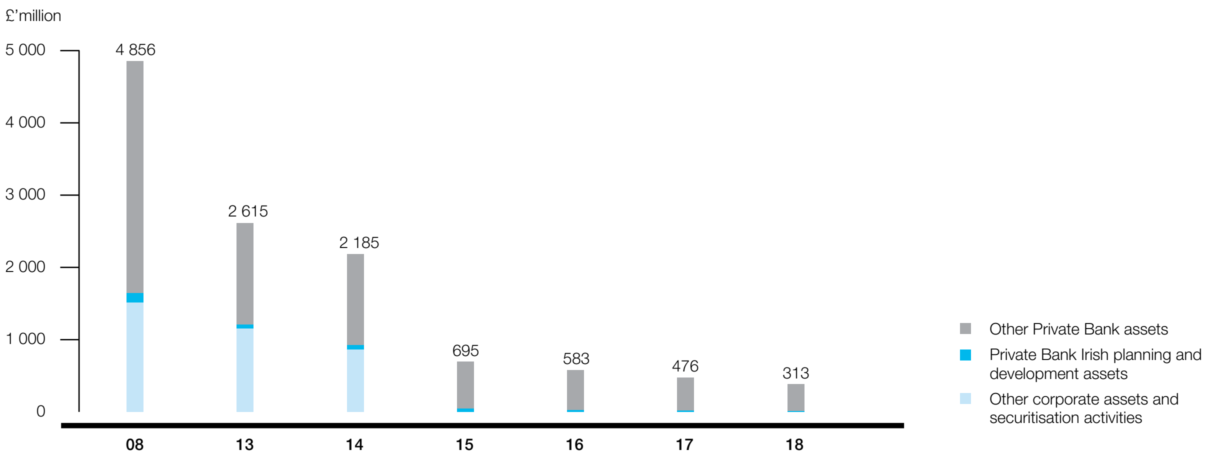
Since 31 March 2017 the group's legacy portfolio in the UK has continued to be actively managed down from £476 million to £313 million through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £93.5 million (2017: £64.6 million) reflecting an increase in impairments for accelerated exits anticipated to occur on certain legacy assets. Total net defaults in the legacy book amounted to £90 million (31 March 2017: £125 million).

An analysis of assets within the legacy business

£'million	31 March 2018 Total net assets (after impairments)	31 March 2018 Total balance sheet impairments	31 March 2017 Total net assets (after impairments)	31 March 2017 Total balance sheet impairments
Private Bank Irish planning and development assets	12	1	18	9
Other Private Bank assets	301	112	458	93
Total legacy assets	**313**	**113**	**476**	**102**
Performing	223	–	351	–
Non-performing	90	113*	125	102*

* *Included in balance sheet impairments is a group portfolio impairment of £60.9 million (31 March 2017: £30.4 million).*

Total UK legacy assets



Divisional review

Group divisional structure

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 pursuit 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
UK
Europe

Wealth & Investment

What we do

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

Where we operate

South Africa
UK
Europe
Hong Kong
Mauritius

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

Southern Africa
UK
Europe
Australia
Mauritius
Hong Kong
India
USA

Integrated global management structure

Global roles

As at 31 March 2018		**Executive director**	Hendrik du Toit
Chief executive officer	Stephen Koseff^^	**Group risk and finance director**	Glynn Burger[ø]
Managing director	Bernard Kantor^^	From 1 April 2019*	
From 1 October 2018*		**Group risk director**	Ciaran Whelan
Joint chief executive officers	Fani Titi Hendrik du Toit	**Group finance and operations director**	Kim McFarland

GEOGRAPHICAL BUSINESS LEADERS	Specialist Banking	Asset Management	Wealth & Investment
South Africa Glynn Burger Richard Wainwright	Ciaran Whelan** David van der Walt	Hendrik du Toit^	
United Kingdom David van der Walt Steve Elliott			Steve Elliott

SUPPORT STRUCTURES

Human resources and organisational development
Marc Kahn

Corporate governance and compliance
Bradley Tapnack

Group finance
Nishlan Samujh

Share schemes and company secretarial
Les Penfold

Group marketing
Malcolm Fried

Group investor relations
Ursula Nobrega

* *Subject to regulatory approval as per the group's announcement made on 6 February 2018.*
** *As from 1 April 2018 Richard Wainwright has replaced Ciaran Whelan as joint head of the Specialist Bank.*
^ *Per the group's announcement made on 6 February 2018, John Green and Mimi Ferrini will be deputy CEOs of Investec Asset Management from 1 April 2018, and from 1 October 2018 will become joint CEOs of the business.*
^^ *Stephen Koseff and Bernard Kantor will become non-executive directors of the group on 1 April 2019.*
ø *Glynn Burger will retire as a group executive director on 31 March 2019.*

For further information on the management succession changes announced by the group on 6 February 2018, refer to pages 89 and 90.

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, organic, 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*
at 31 March 2018

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-seven 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 intergenerational business.

Our investment team, of over 200 investment professionals, applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our clients around the globe. These teams are supported by our global investment and operational structure.

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.

Annual highlights

Net flows of
£5.4 billion
(2017: £(0.6) billion)

Assets under management
£103.9 billion
(2017: £95.3 billion)

Operating margin
33.0%
(2017: 33.1%)

Operating profit before non-controlling interests increased by 8.0% to
£178.0 million
contributing 29.3% to group profit

* *This information reflects the Investec Asset Management global executive committee before the changes announced on 6 February 2018.*

Asset management

(continued)

What we do

Organisational structure

Investments

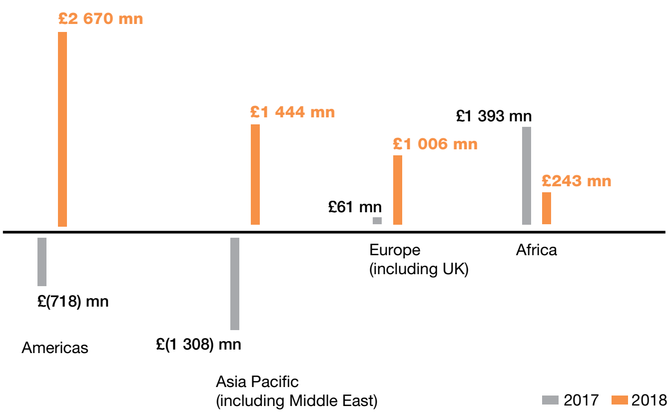
Equities	Fixed Income	Multi-Asset	Alternatives
– Long-only Equity	– Credit – Sovereign – Money Market	– Global solutions – Income solutions	– Commodities – Private equity – Real estate – Infrastructure debt

Client groups

United Kingdom	Africa	Americas	Asia Pacific	Europe

Global operations platform

Where we operate



Net flows by geography

Financial years to 31 March 2017 and 31 March 2018
Note: The net flows exclude a historic low value cash plus account which is subject to volatile net flows.

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

Global head
Steve Elliott

UK head
Jonathan Wragg

South Africa head
Henry Blumenthal

Switzerland head
Peter Gyger

Ireland head
Eddie Clarke

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

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

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

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 has five distinct channels: direct, intermediaries, charities, international and digital
- 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.

Annual highlights

Net flows of
£2.0 billion
(2017: £1.2 billion)

Assets under management
£56.0 billion
(2017: £54.8 billion)

Operating margin
24.3%
(2017: 25.9%)

Operating profit before non-controlling interest increased by 5.7% to
£98.6 million
contributing 16.2% to group profit

Wealth & Investment

(continued)

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.

Financial planning

- Estate planning
- Retirement planning
- Bespoke advice and independent financial reviews.

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 £36.9 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

South 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 R115.3 billion of discretionary and annuity managed assets and a further R202.6 billion of funds under various other forms of administration.

Where we operate

UK and Other

Brand well recognised

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

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Newly launched digital investment offering, Investec Click & Invest

South Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

Developing Wealth & Investment capability in Mauritius

Specialist expertise delivered with dedication and energy.

Global heads at 31 March 2018
David van der Walt
Ciaran Whelan*

UK heads
David van der Walt
Ciaran Whelan

South Africa head
Richard Wainwright

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

Our value proposition

- High-quality specialist banking solution to corporate and private clients with leading positions in selected areas
- Provide high-touch personalised service – 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 4.3% to
£474.0 million

Operating profit (statutory)
down 2.4%
£380.5 million

ROE (pre-tax) (ongoing)
13.1%
(2017: 15.3%)

ROE (pre-tax) (statutory)
10.2%
(2017: 12.8%)

Loans and advances (statutory)
£25.1 billion

Customer deposits (statutory)
£31.0 billion

* *As from 1 April 2018 Richard Wainwright has replaced Ciaran Whelan as joint head of the Specialist Bank.*

Specialist Banking

(continued)

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	– Southern Africa – UK and Europe – Australia – Hong Kong	– Southern Africa – UK and Europe – Australia – Hong Kong – India – USA

Where we operate

North America

Distribution platform

UK and Europe

Brand well established

Sustainable business on the back of client activity

Hong Kong

Investment activities

Distribution platform

India

Established a presence in 2010

Facilitates the link between India, UK and South Africa

Australia

Experienced local teams in place with industry expertise

Focus is on entrenching position as a boutique operation

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

An analysis of net core loans over the period

Net core loans – Southern Africa

		31 March 2017	% change
Lending collateralised by property	**40 297**	**40 332**	**(0.1%)**
Commercial real estate	**36 512**	**36 375**	**0.4%**
Commercial real estate – investment	32 694	33 521	(2.5%)
Commercial real estate – development	3 043	1 868	62.9%
Commercial vacant land and planning	775	986	(21.4%)
Residential real estate	**3 785**	**3 957**	**(4.3%)**
Residential real estate – development	2 995	2 619	14.4%
Residential real estate – vacant land and planning	790	1 338	(41.0%)
High net worth and other private client lending	**133 238**	**117 743**	**13.2%**
Mortgages	67 966	61 330	10.8%
High net worth and specialised lending	65 272	56 413	15.7%
Corporate and other lending	**83 806**	**78 476**	**6.8%**
Acquisition finance	13 982	13 225	5.7%
Asset-based lending	7 057	5 788	21.9%
Fund finance	4 909	5 548	(11.5%)
Other corporates and financial institutions and governments	47 884	43 914	7.2%
Asset finance	2 678	2 697	(0.7%)
Small ticket asset finance	2 225	2 142	3.9%
Large ticket asset finance	453	555	(18.4%)
Project finance	6 641	6 414	3.5%
Resource finance	655	890	(26.4%)
Portfolio impairments	**(639)**	**(326)**	**96.0%**
Total net core loans	**256 702**	**236 225**	**8.7%**

Net core loans – UK and Other

		31 March 2017	% change
Lending collateralised by property	**1 934 296**	**1 893 121**	**2.2%**
Commercial real estate	**1 118 080**	**1 158 847**	**(3.5%)**
Commercial real estate – investment	940 092	924 770	1.7%
Commercial real estate – development	140 222	146 100	(4.0%)
Commercial vacant land and planning	37 766	87 977	(57.1%)
Residential real estate	**816 216**	**734 274**	**11.2%**
Residential real estate – investment	237 795	253 622	(6.2%)
Residential real estate – development	514 080	438 687	17.2%
Residential real estate – vacant land and planning	64 341	41 965	53.3%
High net worth and other private client lending	**1 913 432**	**1 592 671**	**20.1%**
Mortgages	1 479 499	1 227 640	20.5%
High net worth and specialised lending	433 933	365 031	18.9%
Corporate and other lending	**5 901 473**	**5 178 338**	**14.0%**
Acquisition finance	1 530 815	1 309 335	16.9%
Asset-based lending	354 872	333 731	6.3%
Fund finance	1 030 450	861 140	19.7%
Other corporates and financial institutions and governments	650 312	718 760	(9.5%)
Asset finance	1 846 144	1 481 601	24.6%
Small ticket asset finance	1 377 753	1 055 528	30.5%
Large ticket asset finance	468 391	426 073	9.9%
Project finance	483 427	463 958	4.2%
Resource finance	5 453	9 813	(44.4%)
Portfolio impairments	**(61 977)**	**(43 388)**	**42.8%**
Total net core loans	**9 687 224**	**8 620 742**	**12.4%**

Specialist Banking

(continued)

Additional information on the group's South African investment portfolio

31 March 2018	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
IEP Group	372	45	6 180	766
Equity investments^	127	1	2 103	16
Property investments*	252	14	4 186	245
Total equity exposures	751	60	12 469	1 027
Associated loans and other assets	33	1	545	21
Total exposures on balance sheet	**784**	**61**	**13 014**	**1 048**
Debt funded	368	(28)	6 105	(486)
Equity	416	–	6 909	–
Total capital resources and funding	**784**		**13 014**	
Operating profit before taxation**		**33**		**562**
Taxation		(2)		(33)
Operating profit after taxation		**31**		**529**
Risk-weighted assets	**2 828**		**47 003**	
Ordinary shareholders' equity held on investment portfolio – 31 March 2018	416		6 909	
Ordinary shareholders' equity held on investment portfolio – 31 March 2017	398		6 670	
Average ordinary shareholders' equity held on investment portfolio – 31 March 2018	407		6 790	
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2018		**7.6%**		

* *The group's investment holding of 26.75% in the Investec Property Fund and 15.07% 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:*

£'million	Total
Net interest expense	(62)
Net fee and commission income	87
Investment income	18
Share of post taxation profit of associates	45
Trading and other operating losses	(1)
Total operating income before impairment losses on loans and advances	**87**
Impairment losses on loans and advances	–
Operating income	**87**
Operating costs	(1)
Operating profit before goodwill, acquired intangibles and non-operating items	**86**
Profit attributable to other non-controlling interests	(53)
Operating profit before taxation	**33**

Risk management and corporate governance

Group risk management objectives are to:

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

Statement from the chairman of the group risk and capital committee

Philosophy and approach to risk management

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

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

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

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

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

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

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

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy (as explained on pages 16 and 17) and allow the group to operate within its risk appetite tolerance as set out on page 86.

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.

Succession of the group's executive management team has been an ongoing focus area for the board with the group's initial announcement in this regard made in November 2015. Since that date, the board has implemented a number of processes to ensure an orderly management succession process. Leadership and talent development remain high priority areas for the board and management of Investec.

As part of the group's orderly succession plan to move from founding members to the next generation of leadership, a number of board and management changes have been announced. These are disclosed on pages 89 and 90. The process has been well managed and there has been no negative impact on the group's operations.

Although the macro-environment continues to present challenges, the group was able to maintain sound asset performance and risk metrics throughout the year in review. Our risk appetite framework as set out on page 85 continues to be assessed in light of prevailing market conditions and group strategy.

In the year under review, the UK continued to negotiate the terms under which it would leave the European Union. The UK economy continues to be resilient, reflected in the levels of client activity we continue to see. Certain areas of the UK economy are beginning to signal signs of pressure. We are able to adjust our risk appetite and closely monitor any new lending in areas that may come under pressure in the medium-term. We are closely monitoring political developments with respect to Brexit and have continued to evaluate any changes we may need to make to adapt to the new legal and regulatory landscape that emerges.

In September 2017, Investec Bank plc's long-term deposit rating was upgraded by Fitch to BBB+ (stable outlook) and Moody's changed both the outlook on the bank to positive (A2, positive outlook) and also the outlook on Investec plc's ratings to positive (Baa1, positive outlook).

In South Africa the economy faced major headwinds throughout 2017, driven by escalating political risks, which had negative effects on the real economy. Concerns over the South African economy persisted throughout the year and peaked ahead of the ANC National Elective Conference in December 2017. Subsequent to that, Cyril Ramaphosa was elected President of the ANC, the ruling party. The announcement of a change of leadership within the ruling party was favourably received by investors. In response to these developments, Moody's left Southern Africa's international long-term credit ratings unchanged at investment grade (Baa3), upgrading the sovereign's outlook from negative to stable, ending the review for downgrade that started in November 2017.

Investec Bank Limited's ratings continued to track rating adjustments to the South African sovereign rating during the course of the year. The bank's national long-term ratings remain sound at Aa1.za from Moody's, AA(zaf) from Fitch and za.AA- from Standard & Poors.

Our core loan book growth over the year in home currencies was 8.7% in South Africa, and 12.4% in the UK. Growth in our books has been well diversified across our residential owner-occupied mortgage portfolios, private client and corporate client lending portfolios as well as selective lending collateralised by property, with loan to values at conservative levels.

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

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet; showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book. Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 12% of the book, other lending collateralised by property 6%, high net worth and private client lending 39.5% and corporate lending 43% (with most industry concentrations well below 5%).

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

Overall net defaults of the group are at a manageable level, amounting to 3.8% and 11.2% of our tier 1 equity in Investec Limited and Investec plc respectively, with total impairments amounting to 19.6% of the group's pre-provision operating profit. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.17% (2017: 1.22%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.72 times (2017: 1.35 times).

We reported an increase in the level of impairments taken on our South African portfolio, but remain comfortable with the overall performance of the book, as the credit loss ratio amounted to 0.28% (2017: 0.29%). Default loans (net of impairments) as a percentage of core loans and advances improved from 1.02% to 0.56% with absolute levels of defaults decreasing year on year due to asset write-offs mainly in the corporate portfolio.

In the UK, ongoing asset quality continues to reflect the solid performance of the book. The credit loss ratio on an ongoing basis amounted to 0.24% (2017: 0.27%). The legacy portfolio makes up 3.2% of net core loan exposures at 31 March 2018 (31 March 2017: 5.5%). Gross defaults on the overall UK book including legacy and ongoing totalled £360.6 million at 31 March 2018 (31 March 2017: £260.3 million) largely due to legacy loans. Defaulted exposures are well covered by impairments. The credit loss ratio on the overall UK book amounted to 1.14% (2017: 0.90%, 2016: 1.13%) in anticipation of accelerated exits on certain assets in the legacy portfolio.

Legacy exposures have reduced by 34.3% to £313 million (net of impairments) at 31 March 2018. Non-performing exposures are well covered by impairments and total net defaults in the legacy book amounted to £90 million.

Our client-driven private equity portfolios in the UK and Southern Africa delivered a sound performance. Overall, we remain comfortable with the performance of our investment and equity risk exposures which comprise 4.1% of total assets.

Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Proprietary risk is limited.

We continue to spend much time and effort focusing on conduct, reputational, operational, recovery and resolution risks. Financial and cyber crime remain high priorities, and Investec continually aims to strengthen its systems and controls in order to manage cyber risk as well as meet its regulatory obligations to combat money laundering, bribery and corruption.

Investec has continued to maintain a sound balance sheet with a low gearing ratio of 9.1 times and a core loans to equity ratio of 4.6 times. Our current leverage ratios for Investec Limited and Investec plc are at 7.5% and 8.5% respectively, ahead of the group's minimum 6% target level.

We have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. Investec plc's common equity tier 1 ratio is at 11.0% at 31 March 2018 and Investec Limited's improved to 10.2% ahead of our group CET 1 target of greater than 10% and in excess of regulatory minimums. Capital continued to grow and we are comfortable that credit growth is in line with our risk appetite framework and supported by sound risk metrics. We believe that a common equity tier 1 ratio in excess of 10% is appropriate for our businesses, given our sound leverage ratios and significant capital light revenues, and we will continue to build our business in a manner that achieves this target.

In South Africa, we have applied to the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank) for approval to implement the Foundation Internal Ratings-Based (FIRB) approach for certain wholesale portfolios, a transitional step to implementing the Advanced Internal Ratings-Based (AIRB) approach. Subject to approval from the South African Prudential Authority, we expect to implement FIRB in 2019 in the calculation of credit risk regulatory capital. Through the preparation process for the application Investec has enhanced a number of rating systems and risk quantification models. In addition, once approved, we are expecting a positive impact on capital ratios in applying this approach.

In December 2017, the Bank of England (BoE) re-confirmed the preferred resolution strategy for Investec Bank plc as the bank insolvency (special administration) procedure under the Investment Bank Special Administration Regulations 2011 – otherwise known as 'modified insolvency'. As the resolution strategy is 'modified insolvency', the BoE has therefore set Investec Bank plc's minimum requirement for own funds and eligible liabilities (MREL) requirement as equal to its regulatory capital requirements.

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth. Cash and near cash balances amounted to £12.8 billion at year end, representing 41.4% of customer deposits.

In the UK, a strong liquidity position has continued to be maintained throughout the year with liabilities growing to support strong asset growth. Funding rates have continued to reduce as we benefitted from additional cost-effective term funding including drawings on the BoE's Term Funding Scheme. For Investec plc and Investec Bank plc (solo basis), the Liquidity Coverage Ratio (LCR) is calculated using our own interpretations of the EU Delegated Act. The LCR reported to the Prudential Regulation Authority (PRA) at 31 March 2018 was 306% for Investec plc and 301% for Investec Bank plc (solo basis) which is well ahead of the regulatory minimum of 100%. Ahead of the implementation of the final Net Stable Funding Ratio (NSFR) rules, the group has applied its own interpretations of regulatory guidance and definitions from the Basel Committee of Banking Supervision (BCBS) final guidelines, to calculate the NSFR which was 142% for Investec plc and 133% for Investec Bank plc (solo basis), well ahead of the future regulatory minimum of 100%. The reported LCR and NSFR may change over time with regulatory developments and guidance.

In South Africa, we maintained a strong liquidity position and continued to hold high levels of surplus liquid assets. During the past financial year Investec Bank Limited responded to external political uncertainty by concluding its $600 million long-term foreign currency funding programme in September 2017. It raised a further $550 million using a combination of repos, sub-debt issuances and long-term cross currency swaps. The majority of our foreign currency funding is used to augment our already strong cash balances. Investec grew its total customer deposits by 6.1% from R303 billion to R322 billion as at 31 March 2018. Cash and near cash balances amounted to R116.5 billion at 31 March 2018 (31 March 2017: R117.6 billion).

Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 133.9%, which is well ahead of the minimum regulatory level of 90% required. The NSFR has become a regulatory requirement as of January 2018. The NSFR for Investec Bank Limited (solo basis) amounted to 108.4% as at 31 March 2018, comfortably above the 100% regulatory minimum.

On 11 December 2017 the group released an announcement on the Johannesburg Stock Exchange in relation to its exposures to Steinhoff International Holdings NV (Steinhoff), its subsidiaries and related entities. Trading and investment losses incurred in respect of these exposures amounted to R220 million (approximately £13 million) in the current financial year, less than the estimate referred to in the December announcement. As noted in that announcement, Investec has credit exposures largely to Steinhoff Africa Holdings Proprietary Limited subsidiaries and Steinhoff Africa Retail Limited, which represent a small portion of the group's balance sheet. Based on the information currently available to the group, Investec is not expecting to suffer any losses on these exposures.

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

During the year, a number of stress scenarios were considered and incorporated into our processes. These included, for example, the impact of a corporate stress and protracted weak growth; and a potential domestic political and household shock.

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

Our viability statement is provided on pages 106 to 107.

IFRS 9 is effective from 1 April 2018. IFRS 9 replaces IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. Investec plc confirmed to the PRA and Investec Limited confirmed to the South African Prudential Authority that each will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations. Further information on the impact of IFRS 9 is provided in the accounting policies section in Investec's 2018 integrated annual report. In addition, the group has published its detailed transitional disclosures on 29 June 2018 separately from its annual report and these can be found on the group's website.

Conclusion

The group has achieved a satisfactory operating performance, supported by solid levels of client activity and a robust recurring income base. We are comfortable that we have robust risk management processes and systems in place. Whilst the complexities of Brexit continue to cause uncertainty in the UK economy, the underlying book continues to perform well and in line with our risk appetite tolerance. The final quarter of the 2018 financial year has started to see an uplift in the South African economic outlook.

Signed on behalf of the board

Stephen Koseff
Chairman of the group risk and capital committee

15 June 2018

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

Geographic summary of the year in review from a risk perspective

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 34 to 39.

UK and Other

Credit risk

Underlying core assets continue to perform well. Net core loans and advances increased by 12.4% from £8.6 billion at 31 March 2017 to £9.7 billion at 31 March 2018, driven by our strategy to support corporate and private client lending activities. Growth has been well diversified across asset classes and we continue to remain client-focused in our approach.

Default loans (net of impairments) have increased from 1.55% to 2.16% of core loans and advances. The credit loss ratio amounted to 1.14% (2017: 0.90%), in anticipation of accelerated exits on certain assets in the legacy portfolio. Ongoing asset quality continues to reflect the quality of the underlying book. The credit loss ratio on an ongoing basis amounted to 0.24% included in the 1.14% above (2017: 0.27%).

Traded market risk

We continue to manage to a very low level of market risk with VaR at £0.5 million at 31 March 2018. Trading revenues were impacted by lower volatility in equity markets through 2017, however, there was continued growth in client activity particularly within the Financial Product business. Market risk exposures across all desks remained low throughout the year.

Balance sheet risk

Cash and near cash balances at 31 March 2018 amounted to £5.8 billion (2017: £5.0 billion) with total customer deposits increasing by 5.6% to £11.6 billion (2017: £11.0 billion). For Investec plc and Investec Bank plc (solo basis), the LCR is calculated using our own interpretations of the EU Delegated Act. The LCR reported to the PRA at 31 March 2018 was 306% for Investec plc and 301% for Investec Bank plc (solo basis) which is well ahead of the regulatory minimum of 100%. Ahead of the implementation of the final NSFR rules, the group has applied its own interpretations of regulatory guidance and definitions from the BCBS final guidelines, to calculate the NSFR which was 142% for Investec plc and 133% for Investec Bank plc (solo basis), well ahead of the future regulatory minimum of 100%. The reported LCR and NSFR may change over time with regulatory developments and guidance.

Southern Africa

Credit risk

Net core loans and advances grew by 8.7% to R257 billion (31 March 2017: R236 billion) with private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.02% to 0.56% with absolute levels of defaults decreasing year on year due to asset write-offs mainly in the corporate portfolio.

We reported an increase in the level of impairments taken, however, the credit loss ratio reduced to 0.28% (2017: 0.29%), remaining at the lower end of its long-term average trend.

Traded market risk

The local markets were impacted by various local factors, in particular, political policy uncertainty prior to the ANC elective conference in December 2017. The primary focus of the trading desks remains to facilitate the demand of our clients, with limited proprietary risk taken. This is reflected by the low levels of market risk exposures as well as VaR throughout the year. The 95% one-day VaR ended the year at R3.4 million, down R1.1 million from the previous year. Market risk exposures across all trading desks remained low throughout the year.

Balance sheet risk

During the past financial year, Investec Bank Limited responded to external political uncertainty by concluding its $600 million long-term foreign currency funding programme in September 2017. It raised a further $550 million using a combination of repos, sub-debt issuances and long-term cross currency swaps. The majority of our foreign currency funding is used to augment our already strong cash balances. Investec grew its total customer deposits by 6.1% from R303 billion to R322 billion as at 31 March 2018. Cash and near cash balances amounted to R116.5 billion (31 March 2017: R117.6 billion). Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 133.9%, which is well ahead of the minimum regulatory level of 90% required. The NSFR has become a regulatory requirement as of January 2018. The NSFR for Investec Bank Limited (solo basis) amounted to 108.4% as at 31 March 2018, comfortably above the 100% regulatory minimum.

Salient features

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

	UK and Other		Southern Africa		Investec group	
Year to 31 March	2018 £	2017 £	2018 R	2017 R	2018 £	2017 £
Net core loans and advances (million)	9 687	8 621	256 702	236 225	25 132	22 707
Total assets (excluding assurance assets) (million)	20 547	18 652	476 639	456 836	49 129	45 807
Total risk-weighted assets (million)	14 411	13 312	338 484	329 808	34 777^	32 979^
Total equity (million)	2 341	2 032	51 279	46 571	5 428	4 809
Cash and near cash (million)	5 813	5 026	116 533	117 586	12 825	12 038
Customer accounts (deposits) (million)	11 624	11 013	321 823	303 470	30 987	29 109
Gross defaults as a % of gross core loans and advances	3.67%	2.98%	1.11%	1.52%	2.10%	2.08%
Defaults (net of impairments) as a % of net core loans and advances	2.16%	1.55%	0.56%	1.02%	1.17%	1.22%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	–	–	–	–
Credit loss ratio*	1.14%	0.90%	0.28%	0.29%	0.61%	0.54%
Credit loss ratio – ongoing book	0.24%	0.27%	0.28%	0.29%	0.26%	0.29%
Structured credit as a % of total assets**	1.34%	1.87%	0.24%	0.40%	0.70%	1.00%
Banking book investment and equity risk exposures as a % of total assets**	2.98%	3.33%	4.87%	4.75%	4.07%	4.15%
Level 3 (fair value assets) as a % of total assets**	3.64%	3.65%	0.60%	0.83%	1.87%	1.99%
Traded market risk: one-day value at risk (million)	0.5	0.5	3.4	4.5	n/a	n/a
Core loans to equity ratio	4.1x	4.2x	5.0x	5.1x	4.6x	4.7x
Total gearing ratio^^	8.8x	9.2x	9.3x	9.8x	9.1x	9.5x
Loans and advances to customers to customer deposits	83.2%	78.2%	77.4%	75.0%	79.6%	76.2%
Capital adequacy ratio##	15.4%	15.1%	14.6%	14.1%	n/a	n/a
Tier 1 ratio##	12.9%	11.5%	11.0%	10.7%	n/a	n/a
Common equity tier 1 ratio##	11.0%	11.3%	10.2%	9.9%	n/a	n/a
Leverage ratio – current##	8.5%	7.8%	7.5%	7.3%	n/a	n/a
Return on average assets#	0.71%	0.92%	1.28%	1.04%	1.03%	1.02%
Return on average risk-weighted assets#	1.00%	1.36%	1.79%	1.46%	1.45%	1.45%

* *Income statement impairment charge on core loans as a percentage of average advances.*
** *Total assets excluding assurance assets.*
^ *The group numbers have been 'derived' by adding Investec plc and Investec Limited (Rand converted into Pounds Sterling) numbers together.*
^^ *Total assets excluding assurance assets to total equity.*
\# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.*
\## *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating the CET 1 ratio as required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of this deduction totalling £65 million for Investec plc and £18 million for IBP would lower the CET 1 ratio by 45bps and 13bps respectively.*

Certain information is denoted as n/a as these statistics are not applicable at a consolidated group level and are best reflected per banking entity.

Overall group risk appetite

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

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

Risk appetite and tolerance metrics	Positioning at 31 March 2018
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions	Capital light activities contributed 56% to total operating income and capital intensive activities contributed 44%
• We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income amounted to 76.2% of total operating income.
• We seek to maintain strict control over fixed costs and target a group cost to income ratio of below 65%	The cost to income ratio amounted to 66.9%.
• We aim to build a sustainable business generating sufficient return to shareholders over the longer term, and target a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The return on equity amounted to 12.1% and our return on risk-weighted assets amounted to 1.45%.
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6.0%	We achieved this internal target; refer to page 55 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 11% and a common equity tier 1 ratio above 10%	Investec plc and Investec Limited meet all these targets. Capital has grown over the period. Refer to page 55 for further information
• We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 7.5% for Investec plc total common equity tier 1 and 5% of tier 1 capital for Investec Limited (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in the group's main operating geographies (i.e. Southern Africa and UK). The group will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography	Refer to the Investec 2018 integrated annual report for further information
• We target a credit loss ratio on core loans of less than 0.5% of average core advances, and we target defaults net of impairments less than 2% and 1.5% of total net core loans for Investec plc and Investec Limited respectively	The credit loss ratio on core loans amounted to 0.61% (0.26% excluding the legacy portfolio) and defaults net of impairments amounted to 1.17% of total core loans (1.02% excluding the legacy portfolio).
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to £12.8 billion at year end representing 41.4% of customer deposits.
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million for Investec Limited and less than £5 million for Investec plc	We meet these internal limits; one-day 95% VaR was £0.5 million for Investec plc and R3.4 million for Investec Limited at 31 March 2018.
• We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of common equity tier 1 capital for our unlisted principal investment portfolio for Investec plc. For Investec Limited, a risk tolerance of less than 12.5% has been set, excluding the group's holding in the IEP Group Proprietary Limited (IEP Group)	Our unlisted investment portfolios amounted to R3 940 million and £417 million for Investec Limited (excluding the IEP group) and Investec plc respectively, representing 10.6% of total tier 1 for Investec Limited and 27.4% of common equity tier 1 for Investec plc. Refer to the Investec 2018 integrated annual report for further information.
• Our operational risk management teams focus on improving business performance and compliance with regulatory requirements through review, challenge and escalation. We have heightened focus on financial and cyber crime	Refer to the Investec 2018 integrated annual report for further information.
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to the Investec 2018 integrated annual report for further information.

Corporate governance

"Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. The board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance"

Former chairman's introduction

Dear Shareholder

Investec thrives on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment. In light thereof, I am pleased to announce that as part of the management succession plan, as announced by the board and as discussed in more detail below, I stepped down as chairman of the board on 15 May 2018. Perry Crosthwaite, the Investec group's former senior independent non-executive director became chairman of the group on 15 May 2018. Perry Crosthwaite was appointed as non-executive director of the Investec Limited and Investec plc board in June 2010. Perry stepped down as chairman of the remuneration committee with Philip Hourquebie assuming the position on 1 April 2018. I am humbled to be continuing with the Investec group as joint chief executive officer with effect from 1 October 2018.

We present the annual corporate governance report for the year ended 31 March 2018, which describes our approach to corporate governance. For the purpose of this report, the boards of Investec plc and Investec Limited will be referred to as the board.

This year two chairman's letters will be included in the report as a result of the management change implemented as indicated above.

From an outlook perspective, the past year was difficult to navigate as uncertainty in both South Africa and the UK remained. Corporate failures within all jurisdictions exacerbated this uncertainty. On a macro front the global economy experienced synchronised growth for the first time before the global financial crisis. The complexities of Brexit continue to cause uncertainty in the UK economy. While growth in South Africa was down in the first quarter of 2018 relative to the final quarter of 2017, the rest of the year should be positive due to a mix of investor confidence and a rebound in consumer spending.

Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust. We demand cast-iron integrity in all internal and external dealings, consistently and uncompromising displaying moral strength and behaviour.

We believe that open and honest dialogue is the appropriate process to test decisions, reach consensus and accept responsibility. We have adopted a multidimensional approach involving everyone in the organisation which incorporates challenge at every level as a defence mechanism against corruption and fraud. Creating fraud and ethics awareness throughout the organisation assists in influencing ethical behaviour.

The board oversees and monitors, on an ongoing basis, how the consequences of our organisation's activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring is performed against measures and targets agreed with management in the workplace, economy, society and the environment.

Our group wide philosophy seeks to maintain an appropriate balance between the interests of all 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.

We respect the dignity of all individuals and embrace diversity through openness and by the sincere, consistent and considerate manner in which we seek to interact.

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. The board has remained committed to the highest standards of integrity and ethical behaviour. Our client focus and entrepreneurial spirit have continued to be front of mind over the past year. 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.

Management succession

The board, working closely with the DLC nominations and directors' affairs committee (nomdac), continued to drive and monitor succession planning. Succession of the group's long-serving executive management has been an ongoing focus area for the board with the group's initial announcement in this regard made in November 2015, with further announcements in February 2018 and May 2018. The details pertaining to the management succession will be addressed on page 89.

Diversity

At Investec, we are committed to attracting, developing and retaining a diverse team of talented people. A diverse workforce is vital to our ability to be an innovative organisation that is able to adapt and prosper in a fast changing world. Our recruitment strategies prioritise previously disadvantaged, female and disabled candidates where possible. We have various processes to encourage debate and dialogue around valuing diversity and difference.

To help us measure the pace of change, we have set a number of goals and targets. Investec is a member of the 30% Club in South Africa and the UK committing to a goal of 30% women on the board, and has made good progress towards the target of 33% female representation by 2020, per the Hampton-Alexander Review. Investec has signed up to the Women in Finance Charter in the UK, pledging to promote gender diversity by having a senior executive team member responsible and accountable for gender diversity and inclusion, setting internal targets for gender diversity at senior management levels, publishing progress annually against these targets, and linking the pay of senior executives to delivery against these gender diversity targets.

In addition, during the year we reported on our gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to promote diversity. We know that while we have worked to address greater representation of women, we have more to do. We have measures in place to improve this and we are committed to advancement and holding ourselves publicly accountable.

Having a diverse board and workplace is and remains important to the group bringing as it does the clear benefits of distinct and different outlooks, alternative viewpoints, and challenging mindsets.

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, the group has continued to invest into the business ensuring that it remains competitive and relevant in the markets in which it operates. Strategic initiatives were focused on improving the position and returns of the UK bank, reshaping the mid-market corporate offering in South Africa and improving economic returns across the group.

Board effectiveness

The board continues to regularly review its own effectiveness and 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. The last board effectiveness review was conducted by an independent external facilitator in 2015. This year the board effectiveness review was internally facilitated.

The responses received from the review indicated that the board is satisfied with the various aspects in relation to the board and committee governance and functioning. Comments and scores received provided a sense that the board members were of the opinion that the board's dynamic continued to strengthen and improve. Strengths highlighted in the comments in respect of board effectiveness indicated that the board is "increasingly more effective" and the board was settling down after a number of members joined the board.

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 new remuneration policy and appropriate linkage between pay and performance.

Composition

With regard to the composition of the board, Peter Thomas stepped down from the board following the annual general meeting on 10 August 2017 and Philip Hourquebie was appointed to the board on 14 August 2017.

Conclusion

I would like to thank the board for their dedication and the time spent with them during my time as chairman of the board. I would furthermore like to congratulate Perry Crosthwaite on his new appointment and wish him all the best in this new endeavour. The group will benefit from his continued contribution and dedication.

Fani Titi
Former chairman

15 June 2018

Chairman's introduction

Dear Shareholder

As newly appointed chairman of the board I am pleased to provide you with our corporate governance report. It is a great honour to be appointed chairman of Investec.

The year ahead

We approach the year ahead with confidence in our leadership and strategy. Stability within the group and the orderly transition of leadership roles within the organisation has been and will continue to be a key area of focus for the board. The board will continue to motivate and lead our people to ensure long-term success, and to ensure that we operate from an agile and technologically-enabled platform.

In this continually changing environment, the board more than ever, needs to focus on its key strategic priorities. The board will also continue to ensure that Investec has the ability to react rapidly to the changing environment, and ensure that Investec's strategic objectives remain valid.

Conclusion

The board congratulates the new executive team on their appointments. The board is confident that Fani Titi and Hendrik du Toit together with senior management, will continue to grow and build Investec's core businesses and deliver the right outcomes for the group's clients and stakeholders.

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 integrated 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.

PKO Crosthwaite.

Perry Crosthwaite
Chairman

15 June 2018

Management and board succession

Stephen Koseff (chief executive officer of the Investec group), Bernard Kantor (managing director (MD) of the Investec group) and Glynn Burger (risk and finance director of the Investec group) are part of the "founding members" of Investec and for almost 40 years, together with the board and the group's senior management team, have steered the group to becoming an internationally recognised specialist bank and asset manager.

As part of the group's succession plan and orderly transition from the founding members to the next generation of leadership, the following management and board succession changes have and shall be implemented subject to regulatory approval:

Investec Limited and Investec plc board – executive director changes

Stephen Koseff and Bernard Kantor will step down from their roles on 1 October 2018. From that date until 31 March 2019 they will continue to serve as executive directors and be available to provide support and advice to the incoming executives. As from 1 April 2019 they will become non-executive directors.

Glynn Burger, group risk and finance director, will retire on 31 March 2019. Glynn remains available and willing to assist in any capacity that the new management team require him for.

Fani Titi who has been a non-executive director on the Investec group board since January 2004 and chairman of the group since November 2011, and Hendrik du Toit the founding CEO of Investec Asset Management and an executive director of the group since December 2010, have been appointed as Joint CEO designates on 1 April 2018. On 1 October 2018 they will become joint CEOs of the group and will be held jointly accountable and responsible for the leadership and management of the Investec group. Hendrik will remain CEO of Investec Asset Management until 30 September 2018 to ensure an orderly transition in this business.

Kim McFarland, chief operating officer (COO) and chief financial officer (CFO) of Investec Asset Management since December 1993, will take over as group finance and operations director on 1 April 2019. Kim will continue with her duties as COO and CFO of Investec Asset Management until 31 March 2019 to support an orderly transition in this business.

Ciaran Whelan, who has held various senior positions globally with the Investec group over the past 30 years, and who is currently global joint head of the Specialist Bank and Global Head of Private Banking, will succeed Glynn Burger as director of risk on 1 April 2019. Ciaran will remain the global head of the Private Bank until 31 March 2019.

During the transition period Stephen, Bernard and Glynn will work closely with the new executive designates to ensure a smooth and orderly transition.

Investec Limited and Investec plc board – non-executive director changes

Fani Titi has stepped down as group chairman.

Perry Crosthwaite, the Investec group's senior independent non-executive director has been appointed as chairman of the group on 15 May 2018. Perry Crosthwaite was appointed as a non-executive director of the board in June 2010. Perry's biography follows later in this report.

Perry Crosthwaite has stepped down as chairman of the remuneration committee with Philip Hourquebie assuming the position on 1 April 2018. Philip was appointed as a non-executive director of the board in August 2017. Philip's biography follows later in this report.

Zarina Bassa has been appointed as the group's senior independent non-xecutive director on 1 April 2018. Zarina was appointed as a non-executive director of the board in November 2014. Zarina's biography follows later in this report.

Chairman of Investec Bank Limited and Investec Bank plc

Fani Titi has stepped down as chairman of Investec Bank Limited with Khumo Shuenyane assuming this position on 15 May 2018. Khumo has been a director of Investec Bank Limited since August 2014.

Fani Titi has stepped down as chairman of Investec Bank plc with Brian Stevenson assuming this position on 15 May 2018. Brian has been a director of Investec Bank plc since September 2016.

Global divisional management

John Green and Mimi Ferrini became deputy CEOs of Investec Asset Management on 1 April 2018 and from 1 October 2018, will assume the roles of Joint CEOs of the business.

David van der Walt and Richard Wainwright remain CEOs of Investec Bank plc and Investec Bank Limited, respectively. David van der Walt will remain joint global head of the Specialist Bank together with Richard Wainwright who replaced Ciaran Whelan in this role on 1 April 2018.

Steve Elliott remains global head of Investec Wealth & Investment.

Nishlan Samujh, the current global group CFO, will remain in his role.

Timeline of board and management changes

Current changes

1 April 2018

Philip Hourquebie
- Became chairman of DLC remuneration committee

Zarina Bassa
- Became group senior independent non-executive director

Perry Crosthwaite
- Stepped down as chairman of DLC remuneration committee

Richard Wainwright
- Became Joint Global Head of the Specialist Bank with David van der Walt

Ciaran Whelan
- Stepped down as Joint Global Head of the Specialist Bank but remains Global Head of the Private Bank

Fani Titi and Hendrik du Toit
- Appointed as Joint CEO designates

15 May 2018

Fani Titi
- Stepped down as group, IBP* and IBL** chairman and chairman of DLC nomdac (15 May 2018)

Perry Crosthwaite
- Became chairman of Investec group (15 May 2018) and chairman of DLC nomdac

Brian Stevenson
- Became chairman of IBP* and chairman of IBP* nominations committee (15 May 2018)

Khumo Shuenyane
- Became chairman of IBL** (15 May 2018)

Future changes

1 October 2018

Stephen Koseff
- Will step down as group CEO (remains an executive director of Investec Limited and Investec plc)

Bernard Kantor
- Will step down as group MD (remains an executive director of Investec Limited and Investec plc)

Fani Titi and Hendrik du Toit
- Will assume Joint CEO roles

Mimi Ferrini and John Green
- Will become Joint CEOs of Investec Asset Management

31 March 2019

Stephen Koseff and Bernard Kantor
- Will step down as executive directors of Investec Limited and Investec plc

Glynn Burger
- Will step down as group risk and finance director

Ciaran Whelan
- Will step down as Global Head of Private Bank

1 April 2019

Stephen Koseff and Bernard Kantor
- Will join the group board (Investec Limited and Investec plc) as non-executive directors

Ciaran Whelan
- Will become group risk director

Kim McFarland
- Will become group finance and operations director

* *Investec Bank plc.*

** *Investec Bank Limited.*

Who we are

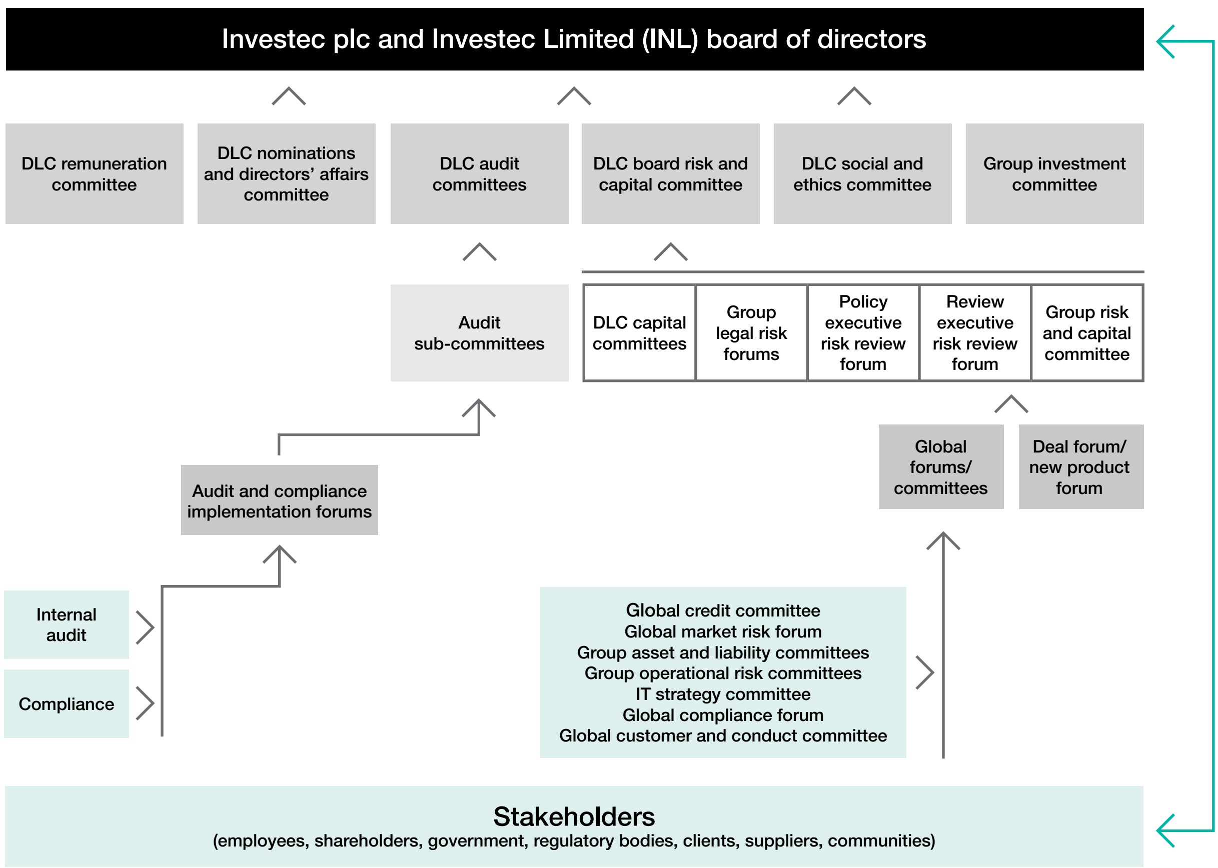
Governance framework

Investec operates under a dual listed companies (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 IV 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/joint group CEOs	Group risk and finance director
Fani Titi/Perry Crosthwaite effective from 15 May 2018	*Stephen Koseff and Bernard Kantor up to 30 September 2018 Hendrik du Toit and Fani Titi effective from 1 October 2018*	*Glynn Burger*
• Set the board agenda, ensuring that there is sufficient time available for discussion of all items • Encourage open and honest dialogue between all board members • Lead and manage the dynamics of the board, providing direction and focus • Ensure that the board sets the strategy of the group and assist in monitoring progress towards achieving the strategy • Perform director evaluations • Serves as the primary interface with regulators and other stakeholders on behalf of the board	• Lead and manage the group within the authorities delegated by the board • Execution of group strategy • Ensuring Investec's unique culture is embedded and perpetuated • Development and growth of all Investec's businesses	• Ensures that the group's risk management processes are effective • Leads and manages the group finance functions • Provides the board with updates on the group's financial performance • Approval of the risk management plan

Senior independent director (SID)	Non-executive directors	Company secretaries
Perry Crosthwaite/Zarina Bassa effective from 1 April 2018	*Zarina Bassa, Laurel Bowden, Cheryl Carolus, David Friedland, Philip Hourquebie, Charles Jacobs, Ian Kantor, Lord Malloch-Brown KCMG, Khumo Shuenyane, Peter Thomas** **Resigned on 10 August 2017 from Investec Limited and Investec plc*	*David Miller and Niki van Wyk*
• Address any concerns or questions from shareholders and non-executive directors • Provide a sounding board to the chairman • Lead the board in the assessment of the effectiveness of the chairman, or the relationship between the chairman and the CEO • Available to act as trusted intermediary for non-executive directors if required to assist them to challenge and contribute effectively	• Bring unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenge and contribute to 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 • Contributes to board effectiveness through outside contacts and opinions • Ensure succession is in place • Manage risk	• Maintain the flow of information to the board and its committees and ensure compliance with board procedures • Minute all board and committee meetings to record the deliberations and decisions taken therein • Ensure that the board complies with relevant legislation and regulation, including Listings Requirements • Maintaining the companies statutory registers • Ensure good corporate governance is implemented and advise the chairman and board in that regard

Director biographies as at 31 March 2018

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

Fani Titi, chairman, Investec Limited and Investec plc

Age: 56

Qualifications: *BSc (cum laude), BSc Hons (cum laude) in Mathematics, MA in Mathematics, MBA*

Relevant skills and experience

Fani Titi has been a member of the boards of Investec Limited and Investec plc since January 2004 and has been non-executive chairman of Investec Limited and Investec plc from November 2011. He has also been a member of the Investec Bank Limited board from July 2002, and has chaired its board from June 2007. He has been a member of the Investec Bank plc board from August 2011, and its chairman from August 2014. He has served on the board of Investec Asset Management from November 2013. Fani was a founding member of the private investment group Kagiso Trust Investments Limited (now Kagiso Tiso Holdings), and later cofounded and led the public offering of Kagiso Media Limited on the JSE Limited as its CEO. Fani was subsequently the founding executive chairman of the private investment firm the Tiso Group, which subsequently merged with Kagiso Trust Investments to form Kagiso Tiso Holdings. Fani stepped down from the Tiso Group in 2008 to concentrate his time on his duties at the Investec group, while also looking after his private investment portfolio. Fani has over two decades of investment banking experience, and has sat on the boards of different investee companies and JSE listed companies

Other principal appointments

Investec plc, Investec Limited, Investec Bank plc, IEP Group Proprietary Limited, Investec Asset Management Holdings Proprietary Limited, Investec Asset Management Limited and a number of 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

* *Resigned from DLC remuneration committee as at 23 February 2018*

** *Resigned as chairman of the DLC nominations' and directors' affairs committee and social and ethics committee*

Perry KO Crosthwaite, senior independent director (SID)

Age: 69

Qualifications: *MA (Hons) (Oxon) in modern languages*

Relevant skills and experience

Perry was appointed chairman of Investec plc and Investec Limited on 15 May 2018. Perry was previously senior independent director of Investec plc and Investec Limited, a post he held from August 2014 to March 2018, having joined the boards of Investec plc and Investec Limited in June 2010. Perry is a former chairman of Investec Investment Banking and Securities and left the group on 31 March 2004

Perry has financial experience gained through a distinguished career in investment banking with over 30 years of experience as a director in the city of London. Perry has served as a non-executive director of Melrose Industries plc from July 2005 to May 2016, and was a founding member of Henderson Crosthwaite Institutional Brokers Limited, serving as its director from 1986 to 1998

Other principal appointments

Investec Holdings (Ireland) Limited (chairman) and Investec Capital and Investments (Ireland) Limited

Committees

DLC nominations and directors' affairs and DLC remuneration committee (chairman)*

Date of appointment

Investec Limited 18 June 2010

Investec plc 18 June 2010

* *Resigned as chairman of the DLC remuneration committee on 31 March 2018*

Stephen Koseff, group chief executive officer

Age: 66

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, Bid Corporation Limited (chairman), IEP Group Proprietary Limited

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, group managing director

Age: 68

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
Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries, Phumelela Gaming and Leisure Limited (chairman) and IEP Group Proprietary Limited

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

Date of appointment
Investec Limited 8 June 1987
Investec plc 19 March 2002

Glynn R Burger, group risk and finance director

Age: 61

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 3 July 2002
Investec plc 3 July 2002

Hendrik J du Toit, Investec Asset Management chief executive officer

Age: 56

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 Proprietary Limited and Investec Asset Management Limited as well as their subsidiaries and non-executive director of Naspers Limited. Over the past two years, Hendrik has also served on the Global Business Commission for Sustainable Development

Committees

None

Date of appointment

Investec Limited 15 December 2010
Investec plc 15 December 2010

Zarina BM Bassa, independent non-executive director

Age: 54

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 group'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, has been a member of the JSE GAAP Monitoring Panel and the Financial Service Board. Zarina has previously served as a non-executive director of Kumba Iron Ore Limited and Sun International Limited amongst other

Other principal appointments

The Financial Services Board, Oceana Group Limited, Yebo Yethu Limited, Vodacom Proprietary Limited and Woolworths Holdings Limited and various Investec subsidiaries including Investec Bank Limited, Investec Bank plc, Investec Life Limited

Zarina has been appointed as the senior independent director (SID) of Investec plc and Investec Limited effective from 1 April 2018

Committees

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

Date of appointment

Investec Limited 1 November 2014
Investec plc 1 November 2014

Laurel C Bowden, independent non-executive director

Age: 53

Qualifications: *MBA (INSEAD), BSc Electronic Engineering, HND Eng*

Relevant skills and experience

Laurel is a founding partner at 83 North UK LLP (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

83 North Limited, Bluevine Capital Inc, Ebury Partners Limited, iZettle AB, Celonis GmbH, Mirakl SAS, TIS GmbH, Wonga Group Limited, MotorK Limited, Workable Technology Limited (the majority of these are companies which Laurel serves on as a representative of 83 North)

Committees

None

Date of appointment

Investec Limited 1 January 2015
Investec plc 1 January 2015

Cheryl A Carolus, independent non-executive director

Age: 60

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 Limited, Gold Fields Limited (chairman), The IQ Business Proprietary Limited, Ponahalo Capital Proprietary Limited, executive chairperson of Peotona Group Holdings Proprietary Limited (chair) and director of a number of the Peotona group companies and International Crisis Group. Constitution Hill Education Trust (chairman) and WWF South Africa

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: 65

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 the KPMG Cape Town office before leaving in March 2013

Other principal appointments

Investec Bank Limited, Investec Bank plc, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

Committees

DLC board risk and capital (chairman), DLC capital and DLC nominations and directors' affairs

Date of appointment

Investec Limited 1 March 2013
Investec plc 1 March 2013

Philip A Hourquebie, independent non-executive director

Age: 65

Qualifications: *BAcc, BCom (Hons), CA(SA)*

Relevant skills and experience

Philip has been a longstanding Regional Managing Partner of two regions of Ernst & Young Inc. (Africa and Central and South East Europe, including Turkey). Philip left Ernst & Young in 2014. As a senior partner at Ernst & Young Inc., Philip's background is in the advisory services in both the private and public sector. As an advisory partner and senior client service partner, he has worked, *inter alia*, with clients in financial services, mining, telecommunications, consumer products and retail, state-owned enterprises, government agencies and government departments at all three levels. Philip has also been a past chair of the board of South African Institute of Chartered Accountants (SAICA)

Other principal appointments

Aveng Limited and Investec Property Fund Limited

Committees

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

Date of appointment

Investec Limited 14 August 2017
Investec plc 14 August 2017

* *Effective from 1 April 2018*

Charles R Jacobs, independent non-executive director

Age: 51

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 sits on the board of Fresnillo plc, a FTSE 100 company. 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 27 years of experience of advising companies around the world, including in relation to their legal and regulatory requirements. 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: 71

Qualifications: *BSc. Eng (Elec.), 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 chairman of Investec Holdings Limited. Ian is currently a non-executive director on the boards of Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited

Other principal appointments

Chairman of Blue Marlin Holdings SA (formerly Insinger de Beaufort Holdings SA, in which Investec Limited indirectly holds an 8.3% interest)

Committees

None

Date of appointment

Investec Limited 30 July 1980
Investec plc 26 June 2002

Lord Malloch-Brown KCMG, independent non-executive director

Age: 64

Qualifications: *BA (Hons) (History), MA (Political Science)*

Relevant skills and experience

Lord Malloch-Brown is chairman of SGO Corporation Limited and Senior Advisor to the Eurasia Group, he was a 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, ISquared Capital and Kerogen Capital

Committees

DLC social and ethics (chairman)* and DLC nominations and director's affairs

Date of appointment

Investec Limited 8 August 2014
Investec plc 8 August 2014

* *Effective from 1 April 2018*

Khumo L Shuenyane, independent non-executive director

Age: 47

Qualifications: *BEcon, CA (England and Wales)*

Relevant skills and experience

Khumo serves on the boards of a number of companies, in the Investec group. He is also a partner at Delta Partners, an advisory firm headquartered in Dubai focused on the telecoms, technology and digital sectors across emerging markets. Between 2007 and 2013 Khumo served as group chief mergers and acquisitions officer for MTN Group Limited and was a member of its group executive committee. Khumo was previously head of Principal Investments at Investec and was a member of Investec's Corporate Finance division for a total of nine years. Prior to joining Investec in 1998, Khumo worked for Arthur Andersen in Birmingham (UK) and Johannesburg for six years from 1992. He qualified as a member of the Institute of Chartered Accountants in England and Wales in 1995

Other principal appointments

Investec Bank Limited (chairman)*, Investec Life Limited, Investec Specialist Investments (RF) Limited, Investec Asset Management Holdings Proprietary Limited and Investec Asset Management Limited

Committees

DLC audit, Investec plc audit, Investec Limited and Investec Bank Limited audit and DLC board risk and capital, DLC nominations and directors' affairs

Date of appointment

Investec Limited 8 August 2014

Investec plc 8 August 2014

* *Effective from 15 May 2018*

Board composition

Independence

As at 31 March 2018, the board is compliant with Provision B.1.2 of the UK Corporate Governance Code in that at least half the board, excluding the chairman, comprises independent non-executive directors. The board is of the view that the chairman, Perry Crosthwaite, was considered independent on appointment.

As at 31 March 2018, the board is compliant with King IV 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 IV.

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.

Philip Hourquebie has been a longstanding Regional Managing Partner of two regions of Ernst & Young Inc. (Africa and Central South East Europe, including Turkey) up to 2014. The board concluded that notwithstanding his previous association with Ernst & Young Inc. Philip retains independence of judgement as he was never Investec Limited's designated auditor.

Charles Jacobs is the chairman and senior partner of the global law firm Linklaters LLP. Linklaters is currently one of Investec's legal advisors. The board considers independence on an annual basis and again concluded that, notwithstanding this link, Charles retains independence of judgement. Charles does not form part of the Linklaters team that provides advice to Investec and he has not provided advice to Investec for over a decade. In addition, 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. Charles plays no role in any team advising Investec. 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. 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 despite having been a director for more than nine years retains both financial independence and independence of character and judgement.

Notwithstanding the guidelines set out in the UK Corporate Governance Code, the board is of the view that Cheryl Carolus is 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 regularly attends credit committees of the group. The board considers his attendance at the committee to be desirable in terms of developing an understanding of the day-to-day issues facing the business.

Independence

Non-independent non-executive directors	1
Independent non-executives including chairman	10
Executives	4

66.6% of board independent

Balance of non-executive and executive directors:

Non-executive	73%
Executive	27%

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 Investec's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member. Investec has an insurance policy that insures directors against liabilities they may incur in carrying out their duties. On the recommendation of the nominations and directors' affairs committee (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 (SID) 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 2018 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 UK Corporate Governance Code, the King IV Code and the JSE Listings 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 Companies Act of 2008 as amended, the UK Companies Act of 2006 and the listings and governance requirements as applicable.

In addition, the board confirms that for the period 1 April 2017 to 31 March 2018 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

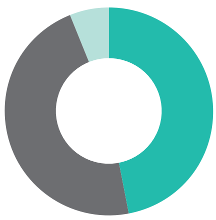
Age:

40 – 50	**7%**
51 – 60	**40%**
61 and above	**53%**

Aspirational target:

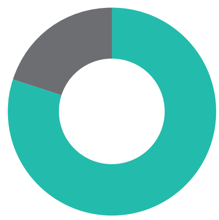
Per the Hampton-Alexander Review: Good progress has been made towards the target of 33% female representation by 2020 which continues to be a priority.

Geographical mix:



South Africa	**47%**
UK	**47%**
Other	**6%**

Board gender balance:



Male	**80%**
Female	**20%**

Tenure

Average length of service (years): **4**

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.

Average tenure:

0 – 3 years	3
3 – 6 years	3
6 – 9 years	2
9 years plus – executive	3
9 years plus – non-executive	4

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
- ensuring succession plan is in place.

The board

Meeting schedule and attendance

The board meets at least six times annually, excluding the annual two-day board strategy session. For the period 1 April 2017 to 31 March 2018, four board meetings were held in the UK and four in South Africa, in line with the requirements of Investec's DLC structure.

Furthermore, during the year ended 31 March 2018, the board 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.

Key matters deliberated by our board

Apart from standard and regular agenda items, such as report backs from each board committee and comprehensive reports from the CEO and financial director, discussions in relation to succession planning was of material importance for the group. The board remains focused on the group's orderly transition plan to move from the founding members to the next generation of leadership.

The board focused on gender initiatives in the UK and South Africa and reviewed the headcount and revenue per employee within the organisation. Furthermore the new remuneration policy was considered.

The board complied with Investec's policy regarding directors' conflicts of interest and dealings with the group.

Performance of the bank in the UK, including digitalisation, and performance reviews of business were debated.

The board effectiveness review was considered and the strength and weaknesses highlighted and appropriate steps to address the weaknesses were identified.

The terms of references of board committees and the group policies were reviewed on an ad hoc basis.

The annual meeting with the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank), to discuss strategy, performance, risk and the "flavour of the year" topics of International Financial Reporting Standards (IFRS 9) and effective risk data aggregation and risk reporting, was attended by board members.

During the course of the year the board received training in respect of the senior management and certificate regime, the Financial Conduct Authority (FCA) approach and topical matters including IFRS 9, Markets in Financial Instrument Directive (MiFID) II, Advanced Internal Rating Based (AIRB) approach and General Data Protection Regulation (GDPR) and King IV.

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 and meeting attendance

Members during the year	Independent	Board member since: Investec plc	Board member since: Investec Limited	Investec plc (8 meetings in the year): Eligible to attend	Investec plc (8 meetings in the year): Attended	Investec Limited (8 meetings in the year): Eligible to attend	Investec Limited (8 meetings in the year): Attended
F Titi (former chairman)*	On appointment	30 Jan 2004	30 Jan 2004	8	8	8	8
PKO Crosthwaite (chairman)**	Yes	18 Jun 2010	18 Jun 2010	8	8	8	8
ZBM Bassa	Yes	1 Nov 2014	1 Nov 2014	8	8	8	8
LC Bowden	Yes	1 Jan 2015	1 Jan 2015	8	8	8	8
GR Burger	Executive	3 Jul 2002	3 Jul 2002	8	8	8	8
CA Carolus	Yes	18 Mar 2005	18 Mar 2005	8	8	8	8
HJ du Toit	Executive	15 Dec 2010	15 Dec 2010	8	8	8	8
D Friedland	Yes	1 Mar 2013	1 Mar 2013	8	8	8	8
PA Hourquebie***	Yes	14 Aug 2017	14 Aug 2017	6	6	5	5
CR Jacobs	Yes	8 Aug 2014	8 Aug 2014	8	8	8	8
B Kantor	Executive	19 Mar 2002	8 Jun 1987	8	8	8	8
IR Kantor	No	26 Jun 2002	30 Jul 1980	8	8	8	8
S Koseff	Executive	26 Jun 2002	6 Oct 1986	8	8	8	8
Lord Malloch-Brown KCMG	Yes	8 Aug 2014	8 Aug 2014	8	8	8	8
KL Shuenyane	Yes	8 Aug 2014	8 Aug 2014	8	8	8	8
PRS Thomas****	Yes	26 Jun 2002	29 Jun 1981	2	2	3	3

* *F Titi stepped down as chairman of the board on 15 May 2018.*
** *PKO Crosthwaite was appointed as chairman of the board on 15 May 2018.*
*** *PA Hourquebie was appointed to the Investec boards with effect from 14 August 2017.*
**** *PRS Thomas stepped down from the Investec boards with effect from 10 August 2017.*

Board activities	
Areas of focus	**What we did**
Group strategy	The board: • formulated and monitored the implementation of its strategy • provided constructive challenge to management • monitored progress made with regard to agreed strategic initiatives
Group compliance, risk and corporate governance and audit	The board: • received and reviewed compliance reports in order to confirm that the group meets all internal and regulatory requirements • dialogued and approved the 2017/2018 risk appetite framework • regularly assessed the group's overall risk profile and emerging risk themes, receiving reports directly from the group risk manager and the chairman of the BRCC • received reports on the group's operational and technology capability, including specific updates on cyber risk capability and the strategy for technology and infrastructure services • received reports in respect of specific risks monitored within the group including updates in respect of GDPR, Advanced Internal Rating Based (AIRB), Foundation Internal Rating Based (FIRB) and International Financial Reporting Standards (IFRS) 9 • considered and approved capital plans • considered the impact of King IV, the JSE Listings Requirements and the revised UK Corporate Governance Code • adopted the group Anti-Money Laundering (AML) and Counter Terrorism Financing (CFT) Policy • approved the Recovery and Resolution Plans for the UK and South Africa • considered and confirmed the independence of the non-executive directors having regard to factors that might impact their independence • reviewed the Investec Bank plc and Investec Bank Limited's revised corporate governance structures • ensured the implementation of King IV • considered auditor independence, appointment and monitoring of audit quality and related parties activities
Leadership	The board: • considered regular updates by the various committees including the remco, nomdac, the audit committee, social and ethics committee (SEC) and BRCC • ensured that policies and behaviours set at board level are effectively communicated and implemented across the group
Effectiveness	The board: • considered the process for the 2018 board effectiveness review which took the form of a self-assessment followed by one-on-one meetings between the chairman and directors • amended/added questions to the board effectiveness self-assessment regarding risk and audit, the presentation of projects to the boards, IT and succession planning • noted that the 2018 effectiveness review showed good progress on those issues identified in the independently facilitated 2015 effectiveness review • in light of the outcome of the board effectiveness review, finalised topics for directors' development sessions

Board activities *(continued)*

Areas of focus	What we did
Remuneration	The board: • received a report from the remco chair at each meeting which covered a variety of topics including: – regulatory developments pertaining to remuneration • considered a communication plan for business to communicate their compliance with the UK Gender Pay Gap Reporting Requirements • in conjunction with remco revised the new remuneration policy
Relations with stakeholders	The board, in order to ensure satisfactory dialogue with shareholders, and to foster strong and open relationships with regulators, noted and discussed the key areas of feedback from these stakeholders, including feedback relating to: • board refreshment and succession • succession planning for the CEO, managing director and senior management • remuneration of executive directors • regular meetings and open dialogue with regulators • improving returns across its businesses
Corporate citizenship	The board discussed and monitored the various elements of good corporate citizenship including: • the promotion of equality, the prevention of unfair discrimination and the reduction of corruption • consideration of 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 group'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: • satisfied itself that the Investec group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced • promoted the role Investec played in society
Subsidiary board and committee composition and governance	The board: • discussed succession planning including an update on senior management succession • received reports on the composition of the key subsidiaries of Investec plc and Investec Limited • received reports on suggested changes to Investec Bank plc's governance arrangements • received reports from the nomdac at each meeting covering the matters within its delegated authority for review and consideration • noted changes made to subsidiary boards on the recommendation of nomdac

Board activities *(continued)*	
Areas of focus	**What we did**
Financial results, liquidity, solvency and viability statement	The board: • considered, reviewed and approved the financial results for the year ended 31 March 2018 for Investec plc and Investec Limited • considered, reviewed and approved the financial results for the half year ended 30 September 2017 • assessed, confirmed and satisfied itself of the group's viability statement (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) • confirmed that the group was liquid and that the solvency and liquidity test has been satisfied (i.e. 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 • confirmed that adequate resources existed to support the group on a going concern basis and accordingly adopted the going concern concept
Management succession	The board: • considered matters relating to board succession and approved appointments to the board and board committees • has and is ensuring the orderly transition from the founding members to the new generation in accordance with the agreed management succession plan
Marketing initiatives	The board: • received regular updates in respect of marketing initiatives within the group
Terms of reference and policies	The board: • reviewed and received regular updates in respect of the various committees terms and references and policies within the group

How we comply

Regulatory context

Investec operates under a dual listed companies (DLC) structure which requires compliance with the principles contained in the South African King IV Code of Corporate Governance Principle (available at www.iodsa.co.za) and the April 2016 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

During the year ended 31 March 2018, Investec has complied with all the provisions of the UK Corporate Governance Code.

King IV

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

Further refinement 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. Further information is provided in Investec's 2018 integrated 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 page 40.

Through its various sub-committees, notably the audit committees, the GRCC, the BRCC and the management and GRCC 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 Prudential Authority, the FCA and 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 £12.8 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 South African Prudential Authority 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.

Both Investec Limited and Investec plc run a number of stress scenarios, some of which are briefly highlighted below.

Investec Limited:

- A scenario which incorporates a global economic slowdown, possibility of further South African sovereign credit rating downgrades, Rand weakness, depressed confidence and investment measures and where South Africa experiences a V-shaped recession and a commodity price slump
- A scenario where there is a sovereign crises, persistent government service outages, sub-investment grade South African sovereign credit ratings, partial loss of private sector property rights under state custodianship and a global recession.

Investec plc:

- The BoE's annual cyclical stress scenario: this scenario incorporates a UK slowdown in GDP growth, a material slump in Pounds Sterling, increasing inflationary pressures which are combated by an increase in UK interest rates to 4%, in addition to a significant house price fall
- A scenario where there is a material stress on corporates and protracted weak global growth with low interest rates
- A scenario where there is increased political uncertainty and a domestic household shock incorporating a UK downturn, high UK interest rates and a UK housing market slump. In this scenario we assume that the international backdrop is benign with some slight negative spill over from the UK through various linkages to the Euro area, with Ireland most acutely exposed.

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 plc and Investec Limited. 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 stress 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 2021 under these various scenarios. In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, dividend payments being reduced and asset growth being curtailed.

The viability statement should be read in conjunction with the following sections in the Investec 2018 integrated annual report, all of which have informed the board's assessment of the group's viability:

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

This forward-looking viability statement made by the board is based on information and knowledge of the group at 15 June 2018. 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 and the South African Companies Act. 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 have sufficient time to effectively discharge their duties.

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.

Staff are prohibited from dealing in all listed Investec securities during closed periods. Tradings are restricted in respect of all Investec Limited, Investec plc, Investec Property Fund Limited (IPF) and Investec Australia Property Fund Limited (IAPF) securities as well as any warrants, OTC and exchange traded derivatives on the said securities. Staff are restricted from exercising options through Investec Staff Share Schemes during closed periods.

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 Guidance and Transparency Rules of the UKLA and the JSE Listings 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 15 June 2018 and signed on its behalf by:

David Miller
Company secretary

Investec plc

Niki van Wyk
Company secretary

Investec Limited

Investec ordinary shares

As at 31 March 2018 Investec plc and Investec Limited had 669.8 million and 310.7 million ordinary shares in issue respectively.

Spread of ordinary shareholders as at 31 March 2018

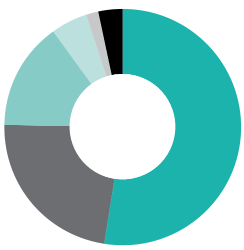
Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
16 451	1 – 500	54.5%	3 066 804	0.5%
5 148	501 – 1 000	17.1%	3 921 349	0.6%
5 789	1 001 – 5 000	19.2%	12 820 080	1.9%
870	5 001 – 10 000	2.9%	6 322 860	0.9%
1 034	10 001 – 50 000	3.4%	24 032 663	3.6%
275	50 001 – 100 000	0.9%	19 574 644	2.9%
615	100 001 and over	2.0%	600 100 295	89.6%
30 182		**100.0%**	**669 838 695**	**100.0%**

Investec Limited ordinary shares in issue

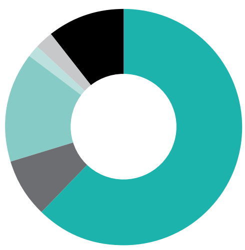
Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 655	1 – 500	44.6%	697 644	0.2%
1 286	501 – 1 000	15.7%	991 581	0.3%
1 759	1 001 – 5 000	21.4%	3 985 673	1.3%
378	5 001 – 10 000	4.6%	2 836 314	0.9%
626	10 001 – 50 000	7.6%	14 952 706	4.8%
181	50 001 – 100 000	2.2%	12 757 948	4.1%
317	100 001 and over	3.9%	274 500 878	88.4%
8 202		**100.0%**	**310 722 744**	**100.0%**

Geographical holding by beneficial ordinary shareholder as at 31 March 2018



Investec plc

South Africa	52.7%
UK	22.8%
USA and Canada	14.5%
Rest of Europe	5.0%
Asia	1.8%
Other countries and unknown	3.2%



Investec Limited

South Africa	62.3%
UK	8.0%
USA and Canada	15.0%
Rest of Europe	1.9%
Asia	2.4%
Other countries and unknown	10.4%

Largest ordinary shareholders as at 31 March 2018

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 disclosed below.

Investec plc

Shareholder analysis by manager group	Number of shares	% holding
1. Allan Gray (ZA)	71 494 791	10.7%
2. Coronation Fund Managers (ZA)	49 462 280	7.4%
3. Public Investment Corporation (ZA)	40 553 224	6.1%
4. BlackRock Inc (US & UK)	38 477 035	5.7%
5. Old Mutual (ZA)	34 052 783	5.1%
6. Prudential Group (ZA)	30 358 867	4.5%
7. The Vanguard Group, Inc (US & UK)	20 537 935	3.1%
8. Investec Asset Management* (ZA)	17 766 926	2.7%
9. T Rowe Price Associates (UK)	17 073 903	2.5%
10. State Street Corporation (US & UK)	16 865 642	2.5%
Cumulative total	**336 643 386**	**50.3%**

The top 10 shareholders account for 50.3% 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.

* *In custody, held on behalf of clients.*

Investec Limited

Shareholder analysis by manager group	Number of shares	% holding
1. Allan Gray (ZA)	38 471 349	12.4%
2. Public Investment Corporation (ZA)	35 492 302	11.4%
3. Investec Staff Share Scheme (ZA)	14 674 608	4.7%
4. Old Mutual (ZA)	13 123 570	4.2%
5. BlackRock Inc (US & UK)	12 223 803	3.9%
6. Sanlam Group (ZA)	10 554 623	3.4%
7. The Vanguard Group, Inc (US & UK)	10 492 686	3.4%
8. Coronation Fund Managers (ZA)	10 186 937	3.3%
9. Dimensional Fund Advisors (UK)	8 276 719	2.7%
10. Entrepreneurial Development Trust (ZA)	5 547 362	1.8%
Cumulative total	**159 043 959**	**51.2%**

The top 10 shareholders account for 51.2% 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 classification as at 31 March 2018

	Number of Investec plc shares	% holding	Number of Investec Limited shares	% holding
Public*	644 874 220	96.2%	292 552 654	94.3%
Non-public	24 964 475	3.8%	18 170 090	5.7%
Non-executive directors of Investec plc/Investec Limited	1 144 683	0.2%	325	–
Executive directors of Investec plc/Investec Limited	10 651 547	1.6%	3 495 157	1.0%
Investec staff share schemes	13 168 245	2.0%	14 674 608	4.7%
Total	**669 838 695**	**100.0%**	**310 722 744**	**100.0%**

* *As per the JSE Listings Requirements.*

Share statistics

Investec plc

For the year ended	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Closing market price per share (Pounds Sterling)							
– year ended	5.50	5.44	5.13	5.61	4.85	4.59	3.82
– highest	6.49	6.19	6.47	6.06	5.08	5.14	5.22
– lowest	4.61	4.19	4.03	4.91	3.66	3.10	3.18
Number of ordinary shares in issue (million)[1]	669.8	657.1	617.4	613.6	608.8	605.2	598.3
Market capitalisation (£'million)[1]	3 684	3 575	3 167	3 442	2 953	2 778	2 286
Daily average volumes of share traded ('000)	1 807	1 618	1 474	2 170	1 985	1 305	1 683
Price earnings ratio[2]	10.3	11.3	12.4	14.2	12.8	12.7	12.0
Dividend cover (times)[2]	2.2	2.1	2.0	2.0	2.0	2.0	1.9
Dividend yield (%)[2]	4.4	4.2	4.1	3.5	3.9	3.9	4.5
Earnings yield (%)[2]	9.7	8.9	8.1	7.0	7.8	7.9	8.3

Investec Limited

For the year ended	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Closing market price per share (Rands)							
– year ended	92.28	91.46	109.91	100.51	84.84	64.26	47.16
– highest	105.62	112.11	121.90	107.35	85.04	69.89	57.36
– lowest	85.00	81.46	93.91	86.02	59.00	41.31	42.00
Number of ordinary shares in issue (million)[3]	310.7	301.2	291.4	285.7	282.9	279.6	276.0
Market capitalisation (R'million)[3]	90 486	87 646	99 886	90 388	75 652	56 857	41 232
Market capitalisation (£'million)[3]	5 393	5 213	4 662	5 045	4 325	4 061	3 340
Daily average volume of shares traded ('000)	1 031	1 149	963	739	810	980	1 033

1 *The LSE only include the shares in issue for Investec plc, i.e. currently 669.8 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 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. currently a total of 980.6 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 2018

Investec plc preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
50	1 – 500	14.0%	10 674	0.4%
48	501 – 1 000	13.5%	38 268	1.4%
176	1 001 – 5 000	49.3%	342 895	12.4%
30	5 001 – 10 000	8.4%	230 513	8.3%
41	10 001 – 50 000	11.5%	910 794	33.1%
9	50 001 – 100 000	2.5%	698 655	25.4%
3	100 001 and over	0.8%	522 788	19.0%
357		**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
52	1 – 500	52.0%	10 263	7.8%
17	501 – 1 000	17.0%	13 741	10.5%
26	1 001 – 5 000	26.0%	62 594	47.6%
3	5 001 – 10 000	3.0%	18 849	14.3%
2	10 001 – 50 000	2.0%	26 000	19.8%
–	50 001 – 100 000	–	–	–
–	100 001 and over	–	–	–
100		**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
1 083	1 – 500	18.8%	340 472	1.1%
1 321	501 – 1 000	23.0%	1 089 913	3.4%
2 470	1 001 – 5 000	43.0%	5 761 320	17.9%
431	5 001 – 10 000	7.5%	3 112 946	9.6%
363	10 001 – 50 000	6.3%	7 080 709	22.0%
44	50 001 – 100 000	0.8%	3 078 559	9.5%
35	100 001 and over	0.6%	11 750 580	36.5%
5 747		**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
44	1 – 500	59.5%	5 287	2.5%
4	501 – 1 000	5.4%	3 228	1.5%
16	1 001 – 5 000	21.6%	36 726	17.2%
3	5 001 – 10 000	4.0%	25 346	11.9%
7	10 001 – 50 000	9.5%	142 348	66.9%
–	50 001 – 100 000	–	–	–
–	100 001 and over	–	–	–
74		**100.0%**	**212 935**	**100.0%**

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
760	1 – 500	21.2%	214 921	1.4%
891	501 – 1 000	24.9%	774 482	5.0%
1 422	1 001 – 5 000	39.8%	3 390 214	22.0%
256	5 001 – 10 000	7.2%	1 850 404	12.0%
208	10 001 – 50 000	5.8%	3 962 169	25.6%
21	50 001 – 100 000	0.6%	1 457 218	9.4%
17	100 001 and over	0.5%	3 798 222	24.6%
3 575		**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
875	1 – 500	91.8%	110 916	32.5%
49	501 – 1 000	5.2%	32 880	9.6%
20	1 001 – 5 000	2.1%	36 347	10.6%
3	5 001 – 10 000	0.3%	17 249	5.1%
5	10 001 – 50 000	0.5%	82 499	24.1%
1	50 001 – 100 000	0.1%	61 826	18.1%
–	100 001 and over	–	–	–
953		**100.0%**	**341 717**	**100.0%**

Largest preference shareholders as at 31 March 2018

Shareholders holding beneficial interests in excess of 5.0% of the issued preference shares are as follows:

Investec plc perpetual preference shares
Hargreave Hale Nominees Limited 13.1%

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

Investec Limited perpetual preference shares
Standard Chartered Bank – Coronation Strategic Income fund 5.0%

Investec Limited redeemable preference shares
Private individual 21.9%
Private individual 12.5%
Private individual 8.2%
Private individual 7.5%
Private individual 6.9%
Private individual 5.1%

Investec Bank Limited perpetual preference shares
There were no shareholders holding beneficial interests in excess of 5.0% of the issued preference shares in Investec Bank Limited, as at 31 March 2018.

Investec Bank Limited redeemable preference shares
Saldanha Group Investments Proprietary Limited 18.1%
Sirius Motor Corporation 5.9%

Corporate responsibility business practices

Our corporate responsibility philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we support activities 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.

External recognition and group memberships

Although we are not driven by awards and recognition, Investec participates and has maintained its inclusion in the following world-leading indices. These indices have been designed objectively to measure the performance of companies that meet global-recognised corporate responsibility standards.

	2018	2017	2016
Carbon Disclosure Project (CDP) (Investec is a member and Investec Asset Management is a signatory investor)	B	A-	A-
Code for Responsible Investing in South Africa (CRISA)	Signatory	Signatory	Signatory
Dow Jones Sustainability Investment Index* (score out of 100)	73	69	69
ECPI Index	Constituent	n/a	n/a
FTSE4Good Index	Included	Included	Included
FTSE/JSE Responsible Investment Index series	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	Participant	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory

* *Investec Limited ranked as one of four industry leaders on the DJSI Emerging Markets Index; Investec plc ranked as one of 15 industry leaders on the DJSI World and one of nine in the DJSI Europe indices.*

Aris Prepoudis, CEO, RobecoSam:
"I congratulate Investec whole heartedly for being included in The Sustainability Yearbook 2018. The companies included in the Yearbook are the world's most sustainable companies in their industry and are moving the ESG needle in ways that will help us realise the UN's Sustainable Development Goals by 2030"

Responsibility

The social and ethics committee is responsible for monitoring the non-financial elements.

Refer to pages 146 to 150 in volume one of Investec's 2018 integrated annual report for further information.

The mandate of this committee is to assist the board in monitoring the group's performance in terms of social, environment and governance indicators.

We also have employees in each of the major geographies in which we operate who drive our corporate responsibility objectives.

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 IV) and in accordance with the Global Reporting Initiative's (GRI) Standards core sustainability reporting guidelines.

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

Assurance

Investec Internal Audit performed a limited review of the quantitative and qualitative corporate responsibility information disclosed in the 2018 corporate responsibility report on our website.

KPMG has provided a limited assurance review for the environmental KPIs. For a better understanding of the scope of KPMG's assurance process, refer to the 2018 corporate responsibility report on our website.

Investec's corporate responsibility encompasses three key areas of people, planet and profit, including our contribution to the six capitals and our commitment to the Sustainable Development Goals (SDGs).

Key for SDGs

- SDG 3 Good health and well-being
- SDG 4 Quality education
- SDG 5 Gender equality
- SDG 6 Clean water and sanitation
- SDG 7 Affordable and clean energy
- SDG 8 Decent work and economic growth
- SDG 9 Industry, innovation and infrastructure
- SDG 11 Sustainable cities and communities
- SDG 13 Climate action
- SDG 15 Life on land
- SDG 16 Peace, justice and strong institutions
- SDG 17 Partnerships for the goals

Communication and stakeholder engagement

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) the 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 Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank).

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.

We engage regularly with our stakeholders listed below:

Employees	Investors and shareholders	Clients	Rating agencies
• Communication policy • Quarterly magazine • Staff updates hosted by executive management • Group and subsidiary fact sheets • Tailored internal investor relations training • Induction training for new employees	• 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 • Annual meeting with investor relations team and group company secretarial, the chairman of the board, senior independent director and chairman of the remuneration committee • Regular email and telephone communication • Annual and interim reports	• Four investor presentations • Regular email and telephone communications • Comprehensive investor relations website • Regular meetings with executive management • Tailored presentations • Annual and interim reports • Client relationship managers in each business	• Four investor presentations • Regular email and telephone communications • 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
Government and regulatory bodies	**Equity and debt analysts**	**Media**	**Suppliers**
• Active participation in a number of policy forums • Response and engagement with all relevant bodies on regulatory matters • Industry consultative bodies	• Four investor presentations • Stock exchange announcements • Comprehensive investor relations website • Regular meetings with investor relations and executive management • Regular email and telephone communications • Annual and interim reports	• Regular email and telephone communications • Stock exchange announcements • Comprehensive investor relations website • Regular meetings with investor relations and executive management	• Centralised negotiation process • Ad hoc procurement questionnaires requesting information on suppliers' environmental, social and ethical policies

Key topics and concerns raised by stakeholders

Macro-economic environment and sustainable returns

Its been a difficult operating environment in both South Africa and the UK with the volatility expected to continue. We have been investing for long-term growth which may result in having to sacrifice some short-term returns. Hence, the focus has been on building resilience and creating franchise value that generates appropriate long-term returns.

We will continue to focus on the growth levers available to improve our returns, including growing our client base and core revenue drivers, leveraging off of our investment into the business, managing our liquidity and optimising our capital structure. We believe that our strategic priorities, together with the diversity of our business model that has been built over many years, will ensure the group is favourably positioned to grow in core markets, supporting future growth and delivering value to all our stakeholders.

Succession

Succession of the group's existing founder leaders has been an ongoing agenda item for most stakeholders over the past few years. In February 2018 we announced our succession plan which was well received by most stakeholders. It is acknowledged and accepted that the next year will be a time of transition as the previous leaders hand over and the next generation take up the helm as the new leadership of the group.

Executive remuneration

The updated executive remuneration policy will need to be voted in at our annual general meeting in August 2018. We have engaged extensively with shareholders to ascertain and incorporate their views on executive remuneration. Where appropriate, we will be reducing the quantum of executive remuneration as well as simplifying the structure to ensure stronger alignment to strategy with relevant targets and measurements in place for monitoring.

Board governance

There has been heightened scrutiny on board governance in general, particularly as corporate and audit firm scandals have increased over the past year. Investec has spent a significant time on board refreshment and composition, ensuring that the structure and shape of the board is appropriate.

Risk appetite

Rating agencies, in particular, are questioning if our risk appetite framework is relevant and appropriate given the volatile macro-economic environment. They are less concerned that profitability may be lower and more interested in how we are managing asset quality, liquidity and capital in an unpredictable macro environment. We regularly review our risk appetite framework and are comfortable that we have robust risk management processes and systems in place.

Cyber crime

The financial services industry is a highly attractive target for cyber criminals and with increased digitalisation comes heightened vulnerability. Investec's cyber resilience strategy is based upon a threat-driven approach to cyber security, 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 defences. We also employ world class security professionals and believe that people, operating within a risk conscious culture, and not just technology, are key to maintaining resilience against security threats.

Gender and diversity

Stakeholders have been interested to find out how Investec is looking at various diversity issues, including gender and reporting on the gender pay gap as required by UK Companies Act. Investec signed up to the 30% Club in both South Africa and the UK committing Investec Limited and Investec plc to a target of 30% females on the board by 2020. Investec Bank plc and Investec Wealth & Investment UK have also signed up to the HM Treasury Women in Finance Charter which sets targets and links executive remuneration to deliverables.

Investec Asset Management has signed up as a founder member of The Diversity Project in the UK.

We also published our first gender pay gap report.

Transformation in South Africa

Stakeholders have been concerned about the challenges facing South Africa with very slow economic growth, rising political uncertainty, downgrades of sovereign debt and low business and consumer confidence. Investec welcomed the positive sentiment and message at the State of the Nation Address by President Cyril Ramaphosa in February 2018 to eradicate state capture, corruption and restore investor confidence and rule of law. Investec has been intimately involved in the CEO Initiative to, among other things, formulate the Youth Employment Service (YES) programme to address the unemployment issue among young people.

Investec remains committed to black economic empowerment and over time achieving the targets set out in the revised Financial Sector Code (FS Code).

Reputation

State capture in South Africa and corporate and audit scandals have heightened the awareness around who we deal with and what process is taken to 'on-board' clients. A significant amount of time and resources have been spent on anti-money laundering (AML) training with 98% of South African, UK and Australian banking employees having passed with an average of above 80% during the past financial year.

New regulations

We have received a number of questions with respect to the regulatory and accounting frameworks in which we operate. The board has focused on a number of new regulations, policies and practices including IFRS 9, Markets in Financial Instrument Directive (MiFid) II, General Data Protection Regulation (GDPR), King IV and the Advanced Internal Ratings Based (AIRB) and FIRB approach to capital.

Non-financial reporting

There is increased expectations around social impacts and in particular non-financial benchmarking and reporting. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations relating to the disclosure of various financial exposures to climate risk are gaining momentum. We acknowledge the TCFD recommendations that were released during the past financial year and have embarked on a process to understand the relevance of potential climate scenario's for our business and will incorporate these recommendations in the 2019 financial reporting cycle.

We have also seen increased interest in the role that the private sector will play in advancing the United Nations Sustainable Development Goals (SDGs). Investec is committed to participate and collaborate with clients, investors and public stakeholders to support the delivery of the SDGs. Through our core activities, we contribute to a number of specific SDGs and targets and have included the intersections, where relevant, throughout this report. In South Africa, we are participating in an industry-wide initiative with the Bankers Association of South Africa (BASA) to review and map our business activities, products and programmes against the SDGs to assess where Investec, currently has the greatest contribution and to determine the potential opportunities to collaborate as a sector for maximum impact.

Remuneration report

Statement by the outgoing and incoming chairs of the remuneration committee

On behalf of the board remuneration committee (the committee) we are pleased to present the report on directors' remuneration for the 2018 financial year. This report was compiled on behalf of the board remuneration committee and approved by the board.

Remuneration philosophy remains unchanged

Our overarching remuneration philosophy has remained unchanged from prior years. We continue to 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 incentive 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 19 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.

Diversity and inclusion, including gender pay gap reporting

At Investec we are committed to attracting and retaining a diverse team of people. 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 recognise the benefits of a diverse workforce being able to contribute alternative perspectives and challenge the status quo, which is integral to the Investec culture.

Gender pay gap legislation was introduced in the UK to encourage employers to make greater advances in addressing the disparity of earnings between men and women over their careers. The gender pay gap measures the difference between the average amounts men and women are paid across all of our employee categories. This is different from Equal Pay legislation in the UK which requires individuals to be paid equally for performing work of equal value. We would like to make clear that we give men and women equal pay for the same roles and have appropriate practices in place to ensure fairness, which are regularly reviewed by the committee.

We report on our gender pay gap on page 172. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to promote diversity. We know that while we have worked to address greater representation of women, we have more to do. We have measures in place to improve this and we are committed to advancement and holding ourselves publicly accountable.

Group performance metrics	Year ended 31 March 2018	Year ended 31 March 2017	% change
Adjusted earnings attributable to shareholders before goodwill, acquired intangibles, non-operating items and after non-controlling interests	£491.1 million	£434.5 million	13.0%
Adjusted earnings per share	53.2 pence	48.3 pence	10.1%
Dividends per share	24.0 pence	23.0 pence	4.3%
Return on equity	12.1%	12.5%	
Annuity income as a % of total operating income	76.2%	72.0%	
Return on average risk-weighted assets	1.45%	1.45%	
Operating margin of the combined asset management and wealth and investment businesses	29.3%	30.1%	
Total capital adequacy ratio, Investec plc	15.4%	15.1%	
Total capital adequacy ratio, Investec Limited	14.6%	14.1%	
Common equity tier 1 capital ratio, Investec plc	11.0%	11.3%	
Common equity tier 1 capital ratio, Investec Limited	10.2%	9.9%	
Leverage ratio, Investec plc	8.5%	7.8%	
Leverage ratio, Investec Limited	7.5%	7.3%	
Liquidity coverage ratio, Investec plc	306.0%	654.0%	
Liquidity coverage ratio, Investec Limited	132.8%	136.5%	
Net stable funding ratio, Investec plc	142.0%	not disclosed	
Net stable funding ratio, Investec Limited	109.3%	not disclosed	
Total shareholder return, Investec plc (Pounds Sterling)	5.4%	10.9%	
Total shareholder return, Investec Limited (Rands)	4.7%	(12.5%)	
Variable remuneration pool	£418 million	£390 million	7.3%

Business context and outcomes for the year under review

The executive directors' remuneration policy was approved at the 2015 annual general meeting. The policy remained in place and was applied for the 2018 financial year.

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.

During the 2018 financial year the group achieved satisfactory operating performance against a challenging economic backdrop in its two core geographies.

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

In terms of the executive short-term incentive plan as approved by shareholders and reflected on pages 139 to 141, the remuneration committee approved an annual bonus of £2.023 million each for Stephen Koseff and Bernard Kantor, and £1.759 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 £5.637 million, determined solely in relation to the performance of Investec Asset Management as set out on page 138. Hendrik du Toit invested approximately 20% of his bonus in Investec plc shares, to be held for three years.

The board agreed to recommend an inflationary increase in fees for the forthcoming year for the non-executive directors, with market linked adjustments for the chair and members of the audit committee.

Looking forward: our revised remuneration philosophy

Investec's existing remuneration policy was last voted on by shareholders in 2015 and we are submitting a revised remuneration policy for approval by shareholders at the annual general meeting on 8 August 2018, as required by regulations. In summary, our proposed remuneration policy:

- Incorporates certain amendments which are intended to address the feedback previously received from shareholders
- Incorporates required regulatory changes
- Given the management succession announced in February 2018, it focuses on our remuneration arrangements within the year of transition.

The group's succession plan has focused on ensuring a smooth transition from the "founders" (current CEO, managing director and group risk and finance director) of Investec to the next generation of leadership. The need to ensure a steady handover of knowledge and experience of our "founders" was considered critical in this succession plan. This has resulted in a phased transition "handover" time line from 1 April 2018 to 31 March 2019.

The board has ensured clear accountability of roles during this period. There is however, a focus on shared (and appropriate) accountability for the performance of the group during the transition period which is linked to remuneration to reflect this accountability.

The Joint CEO appointment is appropriate for our group structure and positioning and was a logical development for Investec. We operate under a dual listed companies structure with listings on the LSE and JSE, large businesses in both South Africa and the UK covering three businesses (comprising banking, asset management and wealth management) with different regulatory environments.

Furthermore, the group will split the risk director and finance director role into two roles as requested by the regulators, with effect from 1 April 2019.

Further information on the group's succession is provided on page 89.

The remuneration committee has considered all these matters in proposing its new remuneration policy whilst at the same time ensuring that total executive remuneration is not increased during this transition period.

The committee believes that the proposals it has included in its proposed remuneration policy address a number of matters previously raised by shareholders, notably:

1. Reduction in total compensation levels for executive directors:
   - An approximate 30% reduction in total compensation levels is achieved using the proposed new fixed pay and short and long-term measures and metrics applied to 31 March 2018 performance.
2. Better alignment between pay awards and the performance of Investec:
   - We are making changes to the short-term incentive measures and implementing tougher performance levels
   - Financial measures performance weightings have been increased to 80% of the total in the determination of the short-term incentive
   - In the long-term incentive tougher performance levels have been introduced for certain measures
   - The remuneration committee will review the performance measures on an annual basis.

3. Simplification in pay structures and the assessment of executive director performance:
   - We are replacing the role based allowances for new executive directors with a single fixed pay award of cash and shares
   - The short-term measures have been simplified and reduced from nine to six.
4. Treatment of unvested long-term incentive plan awards for departing executive directors:
   - The departing CEO, managing director and group risk and finance director will have their unvested long-term incentive awards pro-rated to reflect their period of service relative to the performance periods of such awards
   - The new policy will clarify that unvested long-term incentive awards will be pro-rated going forward.

We have engaged our largest shareholders and shareholder representative organisations to ensure that their views were taken into consideration in the determination of our proposed remuneration policy.

Whilst the committee proposes that the new remuneration policy remains in place for three years, the committee will keep the policy under review and assess its appropriateness, particularly in light of the executive management transition process.

We are seeking shareholder approval at the 2018 annual general meeting for:

- Our directors' remuneration report for the year ended 31 March 2018 (pages 126 to 151)
- Our directors' remuneration policy, commencing 1 April 2018 (pages 152 to 165)
- Our non-executive directors' remuneration (pages 137 and 142)

Signed on behalf of the board

Perry Crosthwaite
Chairman, DLC remuneration committee
(to 31 March 2018)

15 June 2018

Philip Hourquebie
Chairman, DLC remuneration committee
(from 1 April 2018)

15 June 2018

At a glance

Summary of key changes for Investec's proposed remuneration policy

The new policy:

- incorporates certain amendments which are intended to address the feedback previously received from shareholders, and regulatory changes; and
- focuses on our remuneration arrangements within the year of transition given the management succession currently underway.

Reduction in total compensation levels for executive directors	• An approximate 30% reduction in total compensation levels (if the proposed new fixed pay and short- and long-term measures and metrics were applied to 31 March 2018 performance, see page 163)
Better alignment between pay awards and the performance of Investec	• Changes to short-term incentive measures and tougher performance levels that are expected to see a reduction in the short-term incentive on like-for-like historic performance • Financial measures performance weighting increased to 80% of the total in the determination of the short-term incentive • In the long-term incentive tougher performance levels introduced for certain measures • Annual review of "achievement levels" to determine rewards at target, threshold and stretch performance
Simplification in pay structures and the assessment of executive director performance	• Replacement of fixed allowances for new executive directors with a single fixed pay award of cash and shares • Short-term incentive financial measures for annual bonus awards reduced from five to three and non-financial measures simplified
Treatment of unvested long-term incentive awards for departing executive directors	• Unvested long-term incentive awards of the "founder" executive directors will be pro-rated to reflect their period of service, relative to the performance period of the award • The new policy will clarify that unvested long-term incentive awards will be pro-rated going forward

Navigating this report

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

Executive directors

The current 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 IV Code of Corporate Practice and Conduct, the South African Companies Act 2008, the JSE Limited Listings Requirements, the South African Notice on the Governance and Risk Management Framework for Insurers, 2014 and Pillar III remuneration disclosure requirements.

The remuneration report comprises the annual statement from the committee chair, the directors' remuneration policy that sets out our remuneration policy for the three years beginning 1 April 2018 and the differences between the future policy and the policy operated in the 2018 financial year and the annual report on remuneration that explains how the policy has been implemented in the 2018 financial year. The report also contains Pillar III disclosures as mandated by the UK's PRA and the South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank), and a section covering gender pay gap reporting.

A summary of the remuneration decisions made during the year ended 31 March 2018

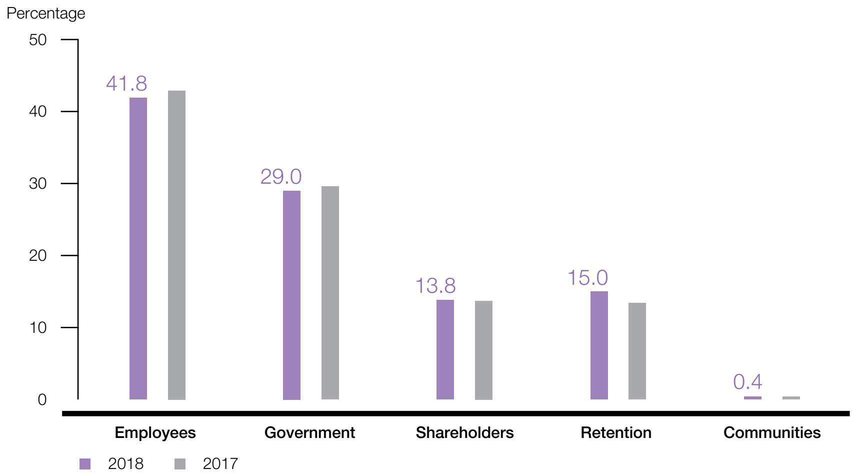
Remuneration philosophy

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, 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, communities through donations and investment 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 2018	Year ended 31 March 2017
Total for the group	47.5%	46.1%
Asset Management	46.3%	46.8%
Wealth & Investment	53.7%	54.0%
Specialist Banking	45.1%	43.9%

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 138.

	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^^		Value of LTIPs that will be forfeited**	Total remuneration awarded in current period***	
£'000	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2018	31 March 2017
CEO	1 694	1 639	809	773	1 000	1 000	3 503	3 412	1 480	1 480	(1 480)	3 503	4 892
MD	1 694	1 639	809	773	1 000	1 000	3 503	3 412	1 480	1 480	(1 480)	3 503	4 892
GRFD	1 391	1 344	704	672	1 000	1 000	3 095	3 016	1 336	1 336	(1 336)	3 095	4 352
CEO IAM	4 961	4 171	1 127	930	–	–	6 088	5 101	–	–	–	6 088	5 101

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

^^ *As discussed on page 147, the awards were made on 31 May 2018 and the amount reflected in the table represents the number of awards made multiplied by the grant share price. These awards vest in three to seven years and are still subject to performance conditions being met.*

* *The bonuses for the CEO, MD and GRFD have an amount deferred as per the schedules on the next page while the CEO IAM invested approximately 20% of his bonus in Investec plc shares to be held for three years.*

** *On termination of employment outstanding long-term incentive awards will be pro-rated based on time served relative to the performance period of the award. In this regard two-thirds of the 2018 award and one-third of the 2017 award will be forfeited.*

*** *These are the figures for single remuneration figure purposes.*

The payment and deferral profile of the remuneration awarded to S Koseff (CEO) and B Kantor (MD) during the 2018 financial year is as follows:

		Received in								
£'000	Awarded in 2018	Current year (2018)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Remuneration awarded in 2018 not subject to future performance conditions	**3 503**	**1 694**	**294**	**294**	**324**	**324**	**324**	**124**	**125**
Salary and benefits	480	480	–	–	–	–	–	–	–
Fixed allowance payable in shares	1 000	–	200	200	200	200	200		
Short-term incentive	2 023	1 214	94	94	124	124	124	124	125
Long-term incentive awarded in 2018 still subject to future performance conditions	1 480	–	–	–	296	296	296	296	296
Long-term incentive awarded in 2018 and 2017 that will be forfeited**	(1 480)	–	–	(99)	(296)	(296)	(296)	(296)	(197)
Total remuneration	**3 503**	**1 694**	**294**	**195**	**324**	**324**	**324**	**124**	**224**

The payment and deferral profile of the remuneration awarded to GR Burger (GRFD) during the 2018 financial year is as follows:

		Received in								
£'000	Awarded in 2018	Current year (2018)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Remuneration awarded in 2018 not subject to future performance conditions	**3 095**	**1 392**	**291**	**291**	**304**	**304**	**304**	**105**	**104**
Salary and benefits	336	336	–	–	–	–	–	–	–
Fixed allowance payable in shares	1 000	–	200	200	200	200	200	–	–
Short-term incentive	1 759	1 056	91	91	104	104	104	105	104
Long-term incentive awarded in 2018 still subject to future performance conditions	1 336	–	–	–	267	267	267	267	268
Long-term incentives awarded in 2018 and 2017 that will be forfeited**	(1 336)	–	–	(89)	(267)	(267)	(267)	(267)	(179)
Total remuneration	**3 095**	**1 392**	**291**	**202**	**304**	**304**	**304**	**105**	**193**

** *On termination of employment outstanding long-term incentive awards will be pro-rated based on time served relative to the performance period of the award. In this regard two-thirds of the 2018 award and one-third of the 2017 award will be forfeited.*

Hendrik du Toit invested approximately 20% of his bonus in Investec plc shares, to be held for 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 served as the chairman of the committee for the financial year ended 31 March 2018. Perry stepped down as the chairman with effect from 31 March 2018, and remains as a committee member. Philip Hourquebie succeeded Perry with effect from 1 April 2018. Philip joined the committee in August 2017. Fani Titi served as a member during the financial year, but stepped down with effect from 23 February 2018, in line with his new role as Joint CEO Designate and recused himself from discussions relating to the proposed directors' remuneration policy. The other members of the committee are Charles Jacobs and Zarina Bassa.

Current members of the committee are deemed to be independent as discussed on page 99.

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

The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework 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 as well as the company secretaries
- 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 12 times during the financial year. Each member attended all of the meetings that they were eligible to attend, with the exception of Charles Jacobs who attended 10.

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 engaged the services of Korn Ferry as its principal advisers, 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. Korn Ferry 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. The committee, on an annual basis, formally evaluates the advice received from Korn Ferry 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 Korn Ferry for the year amounted to £23 904 (based on their standard hourly rates).

The company retained the services of PricewaterhouseCoopers to assist with the development of the proposed remuneration policy for executive directors. 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 2019

Executive directors

Pending approval at the 2018 annual general meeting on 8 August 2018 the remuneration policy for the executive directors will be implemented for the year ending 31 March 2019 as follows:

Remuneration proposals for the current CEO, MD and GRFD

In terms of the group's succession announcement made on 6 February 2018, Stephen Koseff (current CEO) and Bernard Kantor (current MD) will step down from these roles on 1 October 2018. They will remain executive directors until 31 March 2019. Glynn Burger will remain as the group's GRFD until 31 March 2019.

Values and operation	Changes, deferrals and performance targets
Base salary and benefits	
• £480 000 for the CEO • £480 000 for the MD • £336 375 (i.e. R4 500 000 Rand portion and £90 300 Pounds Sterling portion) for the GRFD • Benefits are funded by sacrificing a portion of fixed pay	No change
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	• No change • Payable in shares • Vests on award • Retention period: – Released over five years – 20% each year
STI (short-term incentive)	
• 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	• New performance measures, as outlined on page 129 have been introduced • This will result in a reduction in quantum on a like-for-like historic performance when comparing the proposed policy against the existing policy • The CEO and MD will waive their entitlement to a bonus for the second half of the year, and their bonuses will be pro-rated to reflect this • The GRFD will receive a bonus for the full 2019 performance year • Performance against all of the measures will be tested at the end of the 2019 performance year • Malus and clawback provisions apply • Deferral period: 30% of bonus received upfront in cash; 30% received 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 • All shares are subject to a 12 month retention period after vesting
LTI (long-term incentive)	
• Annual award of 100% of aggregate fixed remuneration • Paid entirely in shares	• Award for the 2018 performance period will be made in June 2018, with two-thirds being forfeited in line with our pro-rating policy (explained below) • The CEO, MD and GRFD will waive entitlement to an award in respect of the 2019 performance year • The award being granted in June 2018 and all unvested awards will be pro-rated for time served during the performance period • Awards are subject to performance criteria as set out on pages 133 and 134 • Deferral period: equal vesting over years three to seven, subject to 12 month retention period • Malus and clawback provisions apply

* *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 244.2% of fixed remuneration. These limits will be in line with this cap.*

Remuneration proposals for the new executive directors

In terms of the group's succession announcement made on 6 February 2018, Hendrik du Toit and Fani Titi have been appointed as Joint CEO designates with effect from 1 April 2018. Ciaran Whelan will assume the risk director role and Kim McFarland the group finance and operations director role with effect from 1 April 2019; these executive director roles will be remunerated at the same level as set out below. Further information on our succession plan is provided on page 89.

Values and operation	Changes, deferrals and performance targets
Fixed pay	
• Fixed pay award delivered equally in cash and shares • £1 332 000 for the Joint CEO designates (£666 000 in cash and the balance in shares) • £1 066 000 for the other executive directors (£533 000 in cash and the balance in shares) • Benefits are funded by sacrificing a portion of fixed pay and comprise: – Pension contribution and/or allowance – Private medical insurance and other benefits in line with the broader employee population	• 50% paid in cash monthly • 50% delivered in shares which vest immediately, but are released in equal portions after one and two years • Total fixed pay for the Joint CEO designates is 90% of the total fixed remuneration of the current CEO and managing director • Total fixed pay for the other executive directors is 80% of the total fixed pay of the Joint CEO designates
STI (short-term incentive)	
• Incentive pool for the Joint CEO designates – 0.23% each of adjusted operating profit • Incentive pool for the other executive directors – 0.18% each of adjusted operating profit • Subject to a maximum of 100%* of fixed remuneration	• New performance measures, as outlined on page 129 have been introduced • This will result in a reduction in quantum on like-for-like historic performance when comparing the proposed policy against the existing policy • Performance against all of the measures will be tested at the end of the 2019 performance year • Malus and clawback provisions apply • Deferral period: 30% of bonus received upfront in cash; 30% received 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 • All shares are subject to a 12 month retention period after vesting
LTI (long-term incentive)	
• Annual award of 100% of aggregate fixed remuneration • Paid entirely in shares	• Award subject to performance criteria as set out on pages 133 and 134 • Deferral period: equal vesting over years three to seven, subject to 12 month retention period • Malus and clawback provisions apply • The first award will be made in June 2019

* *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 244.2% of fixed remuneration. These limits will be in line with this cap.*

An overview of key changes made in the proposed executive directors' short-term incentive plan

Investec aims to maintain an appropriate balance between revenue earned from capital light activities and revenue earned from capital intensive activities.

The group's specialist banking business contributes approximately 60% to the group's pre-tax operating profit; with the asset management and wealth and investment businesses contributing approximately 40%.

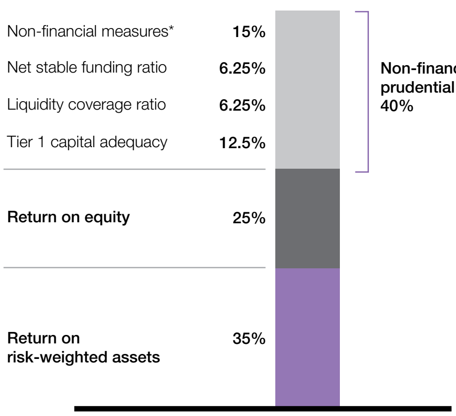
We believe our short-term incentive measures should thus appropriately reflect the mix of businesses and at the same time ensure that the group's risks are appropriately managed.

As a result we are proposing the following changes to the short-term incentive plan:

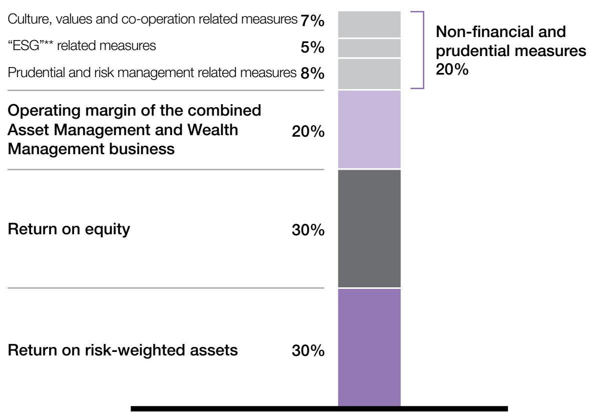
- Performance measures have been reduced from nine to six (financial measures from five to three, and non-financial measures from four to three)
- A new financial measure will be used that reflects the operating margin of the combined asset management and wealth management businesses
- The multiplier at stretch performance has been reduced from 200% to 150%
- The financial measures weighting has been increased to 80%
- The non-financial measures and prudential measures weighting has been reduced from 40% to 20%
- New non-financial measures under the short-term incentive to include:
  - Culture, values and co-operation related measures
  - "ESG" related measures
  - Prudential and risk management related measures
- The short-term incentive measures will now largely differ to those used under the long-term incentive.

Comparison of executive director's proposed short-term incentive (STI) measures and weightings

Existing policy STI measures and weightings



New proposed STI measures and weightings



* *Non-financial measures in existing policy equally weighted between: Culture and values; Franchise development; Governance and regulatory and shareholder relationships; Employee relationship and developments*

** *Where ESG refers to Environmental, Social and Governance related matters*

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

- The total on-target short-term incentive pool** for the group executive director team (Joint CEOs*, financial director (FD) and group risk director (GRD)) is 0.82% of adjusted operating profit for the group; distributed 0.23% each to the Joint CEOs*; 0.18% each to the other new executive directors^.
- The short-term incentive pool is modified by a performance multiplier comprising weightings and performance scores relative to financial and non-financial measures.
- Weightings and score ranges for financial and non-financial measures are as follows:

Measure	Weighting	Score range	Achievement levels
Financial measures	80%	0% – 150%	Threshold (0%) Target (100%) Stretch (150%)#
Non-financial measures	20%	0% – 150%	Threshold (0%) Target (100%) Stretch (150%)#

- Adjusted operating profit is defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.

* *In the management transition period the same sharing percentage as in the existing scheme applies to the current CEO and MD i.e. 0.23% and the GRFD sharing percentage remains the same as in the existing scheme at 0.20%.*

** *Our current remuneration policy sharing percentage for the "incentive pool" was set at 0.66% of adjusted operating profit (as defined above) for the CEO, MD and GRFD. There is a leverage multiplier of 180% in the existing scheme which effectively means that the sharing percentage was a minimum of 0.66% and a maximum of 1.18%. We are removing the leverage multiplier.*

^ *Remuneration set at 80% of the Joint CEOs.*

\# *Total short-term incentive is subject to a maximum regulatory cap. 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 (i.e. total variable pay to fixed pay), depending on the length of deferral, inflation and interest rates. This is currently 244.2% of fixed remuneration. These limits will be in line with this cap. Stretch achievement levels reduced from 200% to 150%.*

Each financial and non-financial measure 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 subject to the maximum regulatory cap. 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 annually by the committee.

Proposed executive short-term incentive plan: financial measures, weightings and achievement levels for the year ending 31 March 2019

The weightings for each financial measure for the year ending 31 March 2019 are as follows:

Measure	Weighting
Financial measures	80%
Return on risk-weighted assets[1]	30%
Return on equity[2]	30%
Operating margin of the combined asset management and wealth and investment businesses[3]	20%

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. *Operating margin is defined as the combined operating margin of the asset management and wealth and investment businesses.*

The achievement levels for each of the financial measures which determine threshold, target and stretch performance are set by the committee following a careful and detailed review of our business strategy and goals, taking into account regulations and our risk appetite framework. Targets will be set by the committee based on a range of internal and external factors including public financial and non-financial targets, internal benchmarks and hurdles, and economic and market conditions. Achievement levels for the short-term incentive will be reviewed annually by the committee.

Threshold, target and stretch performance levels for the financial measures set by the committee for the short-term incentive for the year ending 31 March 2019 are as follows:

Measure	Weighting	Achievement levels		
Financial measures	**80%**	**Threshold (0%)**	**Target (100%)**	**Stretch (150%)**
Return on risk-weighted assets	30%	1.3%	1.6%	1.8%
Return on equity	30%	12.0%	14.0%	16.0%
Operating margin of the combined asset management and wealth and investment businesses	20%	28.0%	30.0%	31.5%

Stretch achievement levels for all three measures are considered to be demanding:

- The group's adjusted earnings for the year ended 31 March 2018 amounted to £491.1 million
- In order to achieve the stretch achievement level for return on risk-weighted assets, the group's adjusted earnings for the year ended 31 March 2018 would have needed to be 24.2% larger at £610.0 million *ceteris paribu*s
- In order to achieve the stretch achievement level for the return on equity, the group's adjusted earnings for the year ended 31 March 2018 would have needed to be 32.4% higher at £650.0 million *ceteris paribu*s

Proposed executive short-term incentive plan: non-financial measures, weightings and achievement levels for the year ending 31 March 2019

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 measures, 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 committee assesses achievement against objectives for the non-financial measures on a six-point scale and will award scores of 0 (0%) and 6 (150%) only in exceptional circumstances.

The areas of focus, weightings and objectives for the non-financial measures will be reviewed annually by the committee, and are as follows:

Measure	Weighting	Achievement levels						
Non-financial measure	**20%**	**0%**	**25%**	**50%**	**75%**	**100%**	**125%**	**150%[1]**
Culture, values and co-operation related measures	7%	0	1	2	3	4	5	6
"ESG" related measures	5%	0	1	2	3	4	5	6
Prudential and risk management related measures	8%	0	1	2	3	4	5	6

1. *The score range has been reduced from 0% to 200% to 0% to 150%.*

Proposed executive short-term incentive plan: non-financial measures – areas of focus for the year ending 31 March 2019

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

Areas of focus	Factors to be assessed
Culture, values and co-operation related measures	• Management visible and proactive in demonstrating appropriate behaviour. • Monitoring of the culture of the group. • Management driving co-operation between the various geographic and business sectors of the group. • Management driving co-operation between the executive director team and other senior management teams in the group. • Quality of brand, development of client base and progress in building the firm. • Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders.

Areas of focus	Factors to be assessed
"ESG" related measures	**Human capital** We depend on the experience and proficiency of our people to perform and deliver superior client service. • Priorities include: – Providing a safe and healthy work environment that values physical as well as psychological well-being – Investing in employee learning and development and growing talent and leadership. We target 1.5% of total staff costs to be spent on learning and development of our employees – Retaining and motivating staff through appropriate remuneration and reward structures – Respecting and upholding human rights by entrenching a values-driven culture through the organisation that is supported by strong ethics and integrity – Focusing on diversity and promoting equality. We have set a number of targets in this regard. Refer to page 174. In addition, we would over time aim to achieve the employment equity targets as set out in the South African Financial Sector Code. **Intellectual capital** • We use our specialist financial skills and expertise to provide efficient solutions for clients and have a robust risk management process in place. • Priorities include: – Leveraging our expertise in risk management to protect value – Ensuring solid and responsible lending and investing activities. **Social and relationship capital** • We leverage key stakeholder relationships to enhance our impact on society and the macro-economy. • Priorities include: – Building deep durable relationships with our clients and creating new client relationships – Investing in our distinctive brand and providing a high level of service by being nimble, flexible and innovative – Unselfishly contributing to society through our corporate social investment (CSI) programmes. We target to spend at least 1% of our pre-tax operating profit on CSI programmes – Focusing on diversity and inclusiveness (particularly with respect to gender) and promoting equality – Contributing to the transformation of the financial sector in South Africa. **Natural capital** • We support the transition to a low-carbon economy and believe we can make a meaningful impact in addressing climate change. We consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet. • Priorities include: – Limiting our direct operational carbon impact – Protecting biodiversity through various conservation activities – Funding and/or participating in renewable energy – Ensuring the security of natural resources in all our operations.
Prudential and risk management related measures	• Performance driven, transparent and risk conscious organisation. • Maintain an appropriate balance between revenue earned from capital light and capital intensive activities: building a balanced, diversified and resilient business model. • Managing key risk metrics within the context of our balanced risk appetite framework as published. These include for example: – We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6% – We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0% – We target a credit loss ratio on core loans of less than 0.5% of average core advances, and we target defaults net of impairments less than 2% and 1.5% of total net core loans for Investec plc and Investec Limited, respectively – We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25% – We intend to maintain a sufficient level of liquidity to satisfy regulatory requirements and our internal target ratios.

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

- The long-term incentive plan comprises annual awards equal to a maximum of 100% fixed pay, paid entirely in shares with equal vesting over years three to seven, subject to a 12 month retention period thereafter.
- Long-term incentive awards will be pro-rated for the period of service relative to the performance period of the award, should an executive director resign or retire prior to awards vesting (subject to good leaver principles).
- No changes have been made to the existing policy with the exception of adjusting achievement levels for return on risk-weighted assets and lowering the payouts for achieving stretch in the non-financial measures.
- 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 measures, as follows:

Measures	Weighting	Score range	Achievement levels*
Financial measures	75%	0% – 150%	Threshold (0%) Target (100%) Stretch (150%)
Non-financial measures	25%	0% – 150%**	Threshold (0%) Target (100%) Stretch (150%)[2]

* *If stretch achievement levels for both the financial and non-financial measures 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.*

** *Stretch achievement level reduced from 200% to 150%.*

Proposed executive long-term incentive plan: financial measures, weightings and achievement levels for the year ending 31 March 2019

The achievement levels for each financial measure which determine threshold, target and stretch performance for the three-year performance period applicable to each annual award will be reviewed annually by the committee in advance of the award being made after a careful review of our business strategy and goals, taking into account regulations and our risk appetite framework. Targets will be set by the committee based on a range of internal and external factors including public financial and non-financial targets, internal benchmarks and hurdles, and economic and market conditions.

- The weightings for each of the financial measures are expected to remain constant going forward, but achievement levels will be reviewed annually.
- 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.
- Threshold, target and stretch achievement levels for the financial measures for the year ending 31 March 2019 will be set as follows:

Measure	Weighting	Achievement levels		
Financial measures	**75%**	**Threshold (0%)**	**Target (100%)**	**Stretch (150%)**
Growth in tangible net asset value^	40%	15%	30%	45%
Return on risk-weighted assets^^	35%	1.4%	1.7%	1.9%

^ *The growth in tangible net asset value is expressed per share, based on neutral currency and after adding back dividends and will be measured cumulatively over the three financial years preceding the first date of vesting.*

^^ *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.*

Proposed executive long-term incentive plan: non-financial measures, weightings and achievement levels for the year ending 31 March 2019

- The non-financial measures and associated objectives for the three-year performance period applicable to each annual award will be reviewed annually by the committee, in advance of the award being made, taking into account the group's strategic and operational objectives.
- The committee assesses achievement against objectives for the non-financial measures on a six-point scale and will award scores of 0 (0%) and 6 (150%) only in exceptional circumstances.
- The non-financial measures for the year ending 31 March 2019 are as follows:

Measure	Weighting	Achievement levels						
Non-financial measures	**25%**	**0%**	**25%**	**50%**	**75%**	**100%**	**125%**	**150%[1]**
Culture and values	4%	0	1	2	3	4	5	6
Franchise development	13%	0	1	2	3	4	5	6
Governance and regulatory and shareholder relationships	4%	0	1	2	3	4	5	6
Employee relationship and development	4%	0	1	2	3	4	5	6

1. *Score range reduced from 0% to 200% to 0% to 150%.*

The areas of focus for the non-financial measures for the year ending 31 March 2019 will be as follows:

Culture and values	Franchise development	Governance and regulatory and shareholder relationships	Employee relationship and development
• Management visible and proactive in demonstrating appropriate behaviour • Performance-driven, transparent and risk-conscious organisation • Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders • Continual monitoring of the culture of the group	• Quality of brand, development of client base, commitment to the community and progress in building the firm • Delivering appropriate and sustainable products with high levels of service and responsiveness • Environmental and other sustainability issues	• 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	• Succession and the development of the next generation • Continued development of people – both on the job and extramurally • Focus on diversity and inclusiveness (particularly with respect to gender) and promoting equality • Transformation of the financial sector in South Africa

Details on the executive directors' short-term incentive plan: financial measures, weightings and achievement levels for the year ended 31 March 2018

The financial measures which determined threshold, target and stretch performance under the short-term incentive and the achievement levels against each of the financial measures for the year ended 31 March 2018 are outlined on the next page. The threshold, target and stretch performance levels for the financial measures set by the committee, for the year ended 31 March 2018 are outlined below. Achievement levels for the year ended 31 March 2018 are shown on page 139.

Measure	Weighting	Achievement levels		
Financial measure	**85%**	**Threshold (0%)**	**Target (100%)**	**Stretch (200%)**
Return on risk-weighted assets[1]	35%	0.9%	1.2%	1.6%
Return on equity[2]	25%	9%	12%	15%
Tier 1 capital adequacy[3]	12.5%	9.5%	10.5%	12%
Liquidity cover ratio[4]	6.25%	115%	132.5%	162.5%
Net stable funding ratio[4]	6.25%	82%	89.5%	99.5%

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 measures (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity measures weighted by region (55% South Africa: 45% UK).*

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%

Executive short-term incentive plan – non-financial measures, weightings and achievement levels for the year ended 31 March 2018

The areas of focus, weightings and objectives for the non-financial measures for the year ended 31 March 2018 were assessed on a four-point scale as follows:

Measure	Weighting	Achievement levels				
Non-financial measures	**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

Remuneration report

(continued)

The committee set the following areas of focus for the year ended 31 March 2018 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.

Details on the executive directors' long-term incentive plan for the year ended 31 March 2018

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 measures, as follows:

Measure	Weighting	Score range	Achievement levels
Financial measures	75%	0 – 150%	Threshold (0%) Target (100%) Stretch (150%)
Non-financial measures	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% or 200%) 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 measures 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 plan: financial measures, weightings and achievement levels for the year ended 31 March 2018

Threshold, target and stretch achievement levels for the financial measures for awards made in relation to the year ended 31 March 2018 are as follows:

Measure	Weighting	Achievement levels		
Financial measures	**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 cumulatively 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 prior to the first vesting. The number of shares to be received will be determined by reference to the combined total which has been achieved.

Executive long-term incentive plan: non-financial measures, weightings and achievement levels for the year ended 31 March 2018

The non-financial measures for awards made in relation to the year ended 31 March 2018 are as follows:

Measure	Weighting	Achievement levels				
Non-financial measures	**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

Non-executive directors

The fee structure for non-executive directors for the period ending 31 August 2018 and 2019 is shown in the table below:

Non-executive directors' remuneration	Period ending 31 August 2018	As proposed by the board for the period from 1 September 2018 to 31 August 2019
Chairman's total fee	£435 000 per year	£450 000 per year
Basic non-executive director fee	£73 000 per year	£75 000 per year
Senior independent director	£10 000 per year	£10 000 per year
Chairman of the DLC audit committee	£65 000 per year	£80 000 per year
Chairman of the DLC remuneration committee	£46 000 per year	£47 000 per year
Chairman of the DLC social and ethics committee	–	£30 000 per year
Chairman of the board risk and capital committee	£45 000 per year	£46 000 per year
Member of the DLC audit committee	£19 000 per year	£25 000 per year
Member of the DLC remuneration committee	£17 000 per year	£17 500 per year
Member of the DLC nominations and directors' affairs committee	£12 500 per year	£13 000 per year
Member of the DLC social and ethics committee	£12 500 per year	£13 000 per year
Member of the board risk and capital committee	£15 000 per year	£15 500 per year
Member of the Investec Bank plc board (also member of main board)	£14 000 per year	£14 500 per year
Member of the Investec Bank plc board	£56 000	£58 000 per year
Independent director of Investec Capital and Investments (Ireland) Limited	€50 000 per year	€65 000 per year
Member of the Investec Bank Limited board (also member of main board)	R320 000 per year	R340 000 per year
Member of the Investec Bank Limited board	R470 000	R500 000 per year
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 to the extent they are paid in South Africa. 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 were effective 1 June 2017.

Remuneration report

(continued)

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 £	Value of LTIPs that will be forfeited £	Total remuneration £
S Koseff (CEO)												
– 2018	**396 174**	**73 845**	**9 981**	**1 000 000**	**1 480 000**	**1 213 737**	**809 158**	**3 502 895**	**1 480 000**	**–**	**(1 480 000)**	**3 502 895**
– 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
B Kantor (MD)												
– 2018	**425 636**	**38 614**	**15 750**	**1 000 000**	**1 480 000**	**1 213 737**	**809 158**	**3 502 895**	**1 480 000**	**–**	**(1 480 000)**	**3 502 895**
– 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
GR Burger (GRFD)												
– 2018	**290 884**	**39 212**	**6 279**	**1 000 000**	**1 336 375**	**1 055 424**	**703 616**	**3 095 415**	**1 336 375**	**–**	**(1 336 353)**	**3 095 437**
– 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
HJ du Toit (CEO IAM)												
– 2018	**440 950**	**–**	**10 481**	**–**	**451 431**	**4 509 600**	**1 127 400**	**6 088 431**	**–**	**–**		**6 088 431**
– 2017	440 950	–	10 242	–	451 192	3 720 000	930 000	5 101 192	–	–	–	5 101 192

Salary and 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 £90 300.*
- *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. These amounts are funded out of gross remuneration.*
- *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 170 358 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 170 358 Investec plc shares for each of the directors is included in their beneficial and non-beneficial interest holding on page 143.*
- *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.*

Short-term incentive (STI)

- *As in prior years, the remuneration for HJ du Toit for the year ending 31 March 2018 was determined and delivered in respect of his role as the CEO of IAM. Accordingly the remuneration benefits due to him were subject to the remuneration policies, rules and regulations applicable to employees of IAM. He was not classified as a Material Risk Taker by PRA regulations and, as a result, his compensation arrangements were not affected by a cap on variable remuneration.*
- *IAM reported an increase in operating profit before non-controlling interest of 8.0% to £178.0 million. Assets under management amounted to £103.9 billion, with £5.4 billion in net flows.*
- *The CEO of IAM is entitled to a short term incentive of 1.85% of the earnings of IAM before variable compensation and tax. HJ du Toit has, however, regularly elected not to accept the full 1.85% of earnings of IAM before variable compensation and tax to which he was entitled. For the year ended 31 March 2018, the final year of his participation in this scheme, the full 1.85% amounting to £5.637 million was paid to HJ du Toit.*
- *In the prior financial year HJ du Toit had 20% of his bonus deferred into the IAM Deferred Bonus Plan as outlined on page 169. This year, given his transition to the Joint CEO designate role, he invested approximately 20% of his bonus in Investec plc shares, to be held for three years.*
- *His remuneration arrangements going forward will be fully aligned with the group and remuneration will be paid in accordance with the proposals set out on page 128.*
- *S Koseff, B Kantor and GR Burger are classified as PRA Material Risk Takers.*
- *The annual bonus for the year ended 31 March 2018 for S Koseff, B Kantor and GR Burger was determined with reference to performance against financial and non-financial measures as set out below and described in detail on pages 135 to 136.*
- *Further information on the short-term incentives is set out on pages 135 to 136 and as discussed on page 127 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 2018 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 2018 financial year. No LTIPs for S Koseff, B Kantor and GR Burger vested in 2018.*
- *On termination of employment outstanding long-term incentive awards will be pro-rated based on time served relative to the performance period of the award. In this regard two-thirds of the 2018 award will be forfeited and one-third of the 2017 award.*

Executive short-term incentives – achievement of performance targets

The determination of the bonus for S Koseff and B Kantor is shown below:

Adjusted operating profit at 31 March 2018 (£'000)	583 688
CEO/MD 'incentive pool' at 0.23% (£'000)	1 342
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	2 416
Maximum bonus subject to remuneration cap, whereby variable remuneration cannot exceed 244.2% of fixed remuneration (£'000)[1]	2 134

			Achievement levels				
Financial measures	**Weighting**	**Actual achievement at 31 March 2018**	**Threshold 0%**	**Target 100%**	**Stretch 200%**	**Actual allocation achieved £'000**	**Actual weighting achieved % vs target**
Return on risk-weighted assets	35%	1.45%	0.9%	1.2%	1.6%	763	162.4%
Return on equity	25%	12.1%	9%	12%	15%	343	102.1%
Tier 1 capital adequacy	12.5%	12.0%	9.5%	10.5%	12.0%	330	196.7%
LCR	6.25%	210.7%	115%	132.5%	162.5%	168	200.0%
NSFR	6.25%	123.9%	82%	89.5%	99.5%	168	200.0%
Total	**85%**					**1 772**	**155.2%**

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 244.2% for awards made in respect of the 2018 financial year.*

The portion of the 2017 bonus 'achieved' for financial measures amounted to £1 707 000 (£758 000 for return on risk-weighted assets; £384 000 for return on equity; £233 000 for tier 1 capital adequacy; £166 000 for the LCR; and £166 000 for the NSFR).

Non-financial measures

Following an assessment of these measures (as described on pages 140 to 141) the remuneration committee decided to allocate an award of £251 715 (2017: £224 658) for performance against non-financial measures. A score of 3 (i.e. weighting of 150%) was awarded to the 'culture and values' category, a score of 2 (i.e. weighting of 100%) was awarded to the 'franchise development' category, a score of 1 (i.e. weighting of 50%) was awarded to the 'Governance and regulator and shareholder relationships category', and a score of 4 (i.e. weighting of 200%) was awarded to the 'employee relationship and development category'. Further information is provided on pages 136, 137, 140 and 141.

Final bonus awarded to S Koseff and B Kantor

The results of the performance assessment against financial and non-financial measures (reflected above) yield a bonus of £2 022 895. The short-term incentive and long-term incentive combined are subject to a cap of 244.2% of fixed remuneration, as above, and the awards to S Koseff and B Kantor fall within that cap.[1] The committee considered whether it is appropriate to apply malus and clawback to executive director awards and determined that neither malus or clawback should apply.

The determination of the bonus for GR Burger is shown below:

Adjusted operating profit at 31 March 2018 (£'000)	583 688
GRFD 'incentive pool' at 0.20% (£'000)	1 167
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	2 101
Maximum bonus subject to remuneration cap whereby variable remuneration cannot exceed 244.2% of fixed remuneration (£'000)[1]	1 927

			Achievement levels				
Financial measures	**Weighting**	**Actual achievement at 31 March 2018**	**Threshold 0%**	**Target 100%**	**Stretch 200%**	**Actual allocation achieved £'000**	**Actual weighting achieved vs % target**
Return on risk-weighted assets	35%	1.45%	0.9%	1.2%	1.6%	663	162.4%
Return on equity	25%	12.1%	9%	12%	15%	298	102.1%
Tier 1 capital adequacy	12.5%	12.0%	9.5%	10.5%	12.0%	287	196.7%
LCR	6.25%	210.7%	115%	132.5%	162.5%	146	200.0%
NSFR	6.25%	123.9%	82%	89.5%	99.5%	146	200.0%
Total	**85%**					**1 540**	**155.2%**

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 244.2% for awards made in respect of the 2018 financial year.*

The portion of the 2017 bonus achieved for financial measures amounted to £1 485 000 (£659 000 for return on risk-weighted assets; £333 000 for return on equity; £203 000 for tier 1 capital adequacy; £145 000 for the LCR; and £145 000 for the NSFR).

Non-financial measures

Following an assessment of these measures (as described below) the remuneration committee decided to allocate an award of £218 883 (2017: £195 355) for performance against non-financial measures. A score of 3 (i.e. weighting of 150%) was awarded to the 'culture and values' category, a score of 2 (i.e. weighting of 100%) was awarded to the 'franchise development' category, a score of 1 (i.e. weighting of 50%) was awarded to the 'Governance and regulator and shareholder relationships category', and a score of 4 (i.e. weighting of 200%) was awarded to the 'employee relationship and development category'. Further information is provided on pages 136, 137, 140 and 141.

Final bonus awarded to GR Burger

The results of the performance assessment against financial and non-financial measures (reflected above) yield a bonus of £1 759 040. The short-term incentive and long-term incentive combined are subject to a cap of 244.2% of variable remuneration, and the bonus awarded to GR Burger falls within that cap. The committee considered whether it is appropriate to apply malus and clawback to executive director awards and determined that neither malus or clawback should apply.

An assessment of non-financial measures

The following aspects were taken into consideration in the assessment of performance against the non-financial measures for the CEO, MD and GRFD.

Areas of focus as set out on page 136	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 worked closely with the board to ensure a steady handover of knowledge and experience from the "founders" to the incoming executives • The executives focused on ensuring that there was a strong pipeline of leaders in the organisation ready to take over from the "founders" • The executive have engaged in activities with employees at all levels through, for example, management hosted breakfasts, management panels, induction presentations, and 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	• We have strong relationships with the governing bodies and regulators in all of the jurisdictions in which we operate • 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 remuneration committee is mindful of the fact that some shareholders are unhappy with the relationship between company performance and the level of executive pay • The executive worked with the remuneration committee and provided input to the drafting of the proposed new remuneration policy for executive directors • Investec Limited continues to cooperate with the Competition Commission Authorities in South Africa with respect to their ongoing investigation into alleged collusion in relation to foreign exchange.

Areas of focus as set out on page 136	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	• 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 multi-party democracy and free enterprise • Investec maintained its inclusion in a number of international sustainability indices • Our core values include unselfishly contributing to society. During the year we spent £7.2 million on social investment initiatives (2017: £7.1 million), exceeding our target of at least 1% of pre-tax operating profit spent on such initiatives • Our flagship educational initiative in South Africa, Promaths, continues to outpace the national average for Mathematics and Science • 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 • Winner of the Business of the Year award by Business Charity Awards 2017 (for Beyond Business) • Winner of the Community Impact Award 2017 for our flagship programme the Beyond Business social enterprise incubator we run in partnership with Bromley by Bow Centre • Winner of the National CSR Awards 2017, in the individual Community (Legacy) category Project Award (for Beyond Business) • Reaccredited winner (for Beyond Business) in the Responsible Business Awards 2017 • Received the Financial Innovation Awards 2017 – Innovation in Sustainability or Social Responsibility Awards for our Invest for Success programme run in partnership with Arrival Education • Investec group was awarded a B for the CDP climate scoring • Investec's Energy Management System that covers 23 of our physical buildings in the UK, Ireland and Channel Islands was certified to the international energy standard ISO 50001
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 outgoing executive have worked closely with, and supported, the board with the transition to the new executive. • The outgoing executive have ensured that a smooth and proactive transition has taken place • Investec was voted the second most attractive employer by professionals in South Africa 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 • Investec has signed up to the Women in Finance Charter in the UK, pledging to promote gender diversity by having a senior executive team member responsible and accountable for gender diversity and inclusion, setting internal targets for gender diversity at senior management levels, publishing progress annually against these targets, and linking the pay of senior executives to delivery against these gender diversity targets • In South Africa, Investec remains committed to black economic empowerment. We remain committed to achieving greater representation at all levels of the business through the effective implementation of our employment equity plan. • In 2018 we invested £22.5 million in the learning and development of our employees, compared to £22.9 million in the prior year, exceeding our target spend of at least 1.5% of staff costs • The executive have supported the development of the Women in Business initiative, an initiative aimed at promoting the support and advancement of women in the workplace, while also focusing on supporting our female clients

Remuneration report

(continued)

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 2018 £	Total remuneration 2017 £
Non-executive directors		
F Titi (chairman)	430 850	425 000
ZBM Bassa	206 105	137 561
LC Bowden	79 000	90 000
CA Carolus	84 877	84 000
PKO Crosthwaite	242 133	221 627
D Friedland	226 913	310 861
PA Hourquebie[1]	75 299	–
CR Jacobs	89 377	88 500
IR Kantor	89 415	88 500
Lord Malloch-Brown KCMG	84 876	88 000
KL Shuenyane	123 337	133 149
PRS Thomas[2]	136 315	200 879
Total in Pounds Sterling	**1 868 497**	**1 868 077**

1. *PA Hourquebie appointed on 14 August 2017.*
2. *PRS Thomas resigned on 10 August 2017.*

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 2018.

Directors' shareholdings in Investec plc and Investec Limited shares at 31 March 2018 (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 2018**	**1 April 2017**	**31 March 2018**	**31 March 2018**	**1 April 2017**	**31 March 2018**
Executive directors						
S Koseff[2]	5 936 212	5 295 775	0.9%	962 841	1 234 399	0.3%
B Kantor[2/3]	1 507 271	1 164 359	0.2%	1 600 500	2 300 500	0.5%
GR Burger[2]	3 208 064	3 488 675	0.5%	327 076	327 076	0.1%
HJ du Toit	–	–	–	604 740	604 740	0.2%
Total number	**10 651 547**	**9 948 809**	**1.6%**	**3 495 157**	**4 466 715**	**1.1%**
Non-executive directors						
F Titi (chairman)	–	–	–	–	–	–
ZBM Bassa	–	–	–	–	–	–
LC Bowden	–	–	–	–	–	–
CA Carolus	–	–	–	–	–	–
PKO Crosthwaite	115 738	115 738	–	–	–	–
D Friedland	–	–	–	–	–	–
Philip Hourquebie	–	–	–	–	–	–
CR Jacobs	–	–	–	–	–	–
IR Kantor	1 009 045	1 009 045	0.2%	325	325	–
Lord Malloch-Brown KCMG		–	–	–	–	–
KL Shuenyane	19 900	19 900	–	–	–	–
Total number	**1 144 683**	**1 144 683**	**0.2%**	**325**	**325**	**–**
Total number	**11 796 230**	**11 093 492**	**1.8%**	**3 495 482**	**4 467 040**	**1.1%**

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 147.*
2. *The beneficial and non-beneficial holdings of S Koseff, B Kantor and GR Burger, include 170 358 Investec plc shares which relate to the awards to each of the directors of shares in respect of a £1 million fixed allowance on 8 June 2017 (as explained on page 154). 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.*
3. *Bernard Kantor entered into a zero premium/cost option arrangement and purchased put options over 600 000 Investec Limited ordinary shares at a strike price of R100.00 per share and a call option over 600 000 Investec Limited ordinary shares at a strike price of R120.00 per share. 600 000 Investec Limited ordinary shares have been pledged as security with the writer of those options.*

In addition, as outlined on page 147, awards were granted to S Koseff, B Kantor and GR Burger on 31 May 2018.

Directors' interest in preference shares at 31 March 2018 (audited)

	Investec plc		Investec Limited		Investec Bank Limited	
Name	**31 March 2018**	**1 April 2017**	**31 March 2018**	**1 April 2017**	**31 March 2018**	**1 April 2017**
Executive director						
S Koseff	**12 139**	12 139	**3 000**	3 000	**4 000**	4 000

- *The market price of an Investec plc preference share at 31 March 2018 was R88.00 (2017: R81.00).*
- *The market price of an Investec Limited preference share at 31 March 2018 was R67.50 (2017: R75.00).*
- *The market price of an Investec Bank Limited preference share at 31 March 2018 was R71.56 (2017: R82.00).*

Directors' interest in options at 31 March 2018 (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 2018 (audited)

Awards made in respect of the financial year ending 31 March 2013

Name	Number of Investec plc shares awarded on 16 Sept 2013	Exercise price	Performance period	Performance conditions met (Y/N)	Additional shares awarded for performance conditions being met	Shares exercised during the year to 31 March 2018	Balance at 31 March 2018	Period exercisable	Retention period
S Koseff	600 000	Nil	1 April 2013 to 31 March 2016	Yes	204 617	603 462	**201 155**	75% was exercisable on 16 September 2017; and	A further six months after vesting date
								25% is exercisable on 16 September 2018	A further six months after vesting date
B Kantor	600 000	Nil	1 April 2013 to 31 March 2016	Yes	204 617	603 462	**201 155**	75% was exercisable on 16 September 2017; and	A further six months after vesting date
								25% is exercisable on 16 September 2018	A further six months after vesting date
GR Burger	600 000	Nil	1 April 2013 to 31 March 2016	Yes	204 617	603 462	**201 155**	75% is exercisable on 16 September 2017; and	A further six months after vesting date
								25% on 16 September 2018	A further six months 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. These awards formed part of their variable remuneration in respect of the year ending 31 March 2013.

The value of shares exercised are not included in the single remuneration table on page 138, as they were included in these disclosures in the year the award was granted.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2018 (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 2017	Conditional awards made during the year	Balance at 31 March 2018	Performance period	Period exercisable	Retention period	Treatment on termination of employment
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	Will be pro-rated based on service over the performance period, relative to the performance period of the award
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	Will be pro-rated based on service over the performance period, relative to the performance period of the award
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	Will be pro-rated based on service over the performance period, relative to the performance period of the award

The remuneration policy was 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 performance criteria in respect of these awards are detailed on pages 136 and 137. Vesting starts at 0% for threshold performance. These awards have not yet vested. The face value at grant for these awards was equivalent to 100% of fixed remuneration and 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 2018 (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	Balance at 31 March 2018	Performance period	Period exercisable	Retention period	Treatment on termination of employment
S Koseff	8 June 2017	Nil	–	252 130	**252 130**	1 April 2017 to 31 March 2020	20% 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	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly one third will be forfeited
B Kantor	8 June 2017	Nil	–	252 130	**252 130**	1 April 2017 to 31 March 2020	20% 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	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly one third will be forfeited
GR Burger`	8 June 2017	Nil	–	227 651	**227 651**	1 April 2017 to 31 March 2020	20% 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	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly one third will be forfeited

The remuneration policy was 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 143.

The performance criteria in respect of these awards are detailed on pages 136 and 137. Vesting starts of 0% for threshold performance. These awards have not yet vested. The face value at grant for these awards was equivalent to 100% of fixed remuneration, and 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 2 June 2017 to 7 June 2017.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2018 (audited)

Long-term share awards granted in respect of the 2018 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2017	Conditional awards made during the year	Balance at 31 March 2018	Performance period	Period exercisable	Retention period	Treatment on termination of employment
S Koseff	31 May 2018	Nil	–	264 759	**264 759**	1 April 2018 to 31 March 2021	20% is exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly two thirds will be forfeited
B Kantor	31 May 2018	Nil	–	264 759	**264 759**	1 April 2018 to 31 March 2021	20% is exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly two thirds will be forfeited
GR Burger	31 May 2018	Nil	–	239 066	**239 066**	1 April 2018 to 31 March 2021	20% is exercisable on 31 May each year, commencing 31 May 2021 until 31 May 2025, subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly two thirds will be forfeited

The remuneration policy was approved at the August 2015 annual general meeting.

On 31 May 2018, 264 759 conditional awards were awarded to S Koseff and B Kantor, and 239 066 to GR Burger. These awards formed part of their variable remuneration in respect of the financial year ending 31 March 2018. The value of these awards is reflected in the table on page 143. The performance criteria in respect of these awards are detailed on pages 136 and 137. Vesting starts at 0% for threshold performance. These awards have not yet vested. The face value at grant for these awards was equivalent to 100% of fixed remuneration, and amounted to £1 480 000 for S Koseff and B Kantor, and £1 336 375 for GR Burger based on the share price for Investec plc at the time of grant.

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 2018	31 March 2017	High over the year	Low over the year
Investec plc share price	£5.50	£5.44	£6.49	£4.61
Investec Limited share price	R92.28	R91.46	R105.62	R85.00
Number of Investec plc shares in issue (million)	669.8	657.1		
Number of Investec Limited shares in issue (million)	310.7	301.2		

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 2018[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 75% end year four and 25% end year five • Material Risk Takers: Vesting 75% end of three and a half years and 25% at the end of four and a half years with six month retention	–	9 235 506 0.94% 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	5 486 220	8 655 149 0.88% of issued share capital of company
• New and existing full-time employees	• In any financial year: 1x remuneration package[1]	• Market strike options: 25% vesting end of years two, three, four and five	94 650	281 267 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, three and four years • FCA Designated Senior Managers: Vest one third at the end of two, three and a half and five years • Risk Managers: Vest one third after two and a half, three and a half and five years • Of prior year June awards, the first third vests in the February after two years and nine months, the next third after three years and ten months and the final third after four years and three months • PRA Designated Senior Managers: Vest 25% per annum from three to seven years • All have a 12 month retention period thereafter, with the exception of Risk Managers who have a six month retention period	2 104 051	4 293 866 0.44% 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 75% at end year four and 25% at end year five	–	13 916 968 1.42% 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	7 087 012	14 225 369 1.45% 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 206 and 207. 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 2018 was 669.8 million shares and 310.7 million shares, respectively.*
4. *The market price of an Investec plc share at 31 March 2018 was £5.50 (2017: £5.44), ranging from a low of £4.61 to a high of £6.49 during the financial year.*
5. *The market price of an Investec Limited share at 31 March 2018 was R92.28 (2017: R91.46), ranging from a low of R85.00 to a high of R105.62 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 144 to 147.*

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.

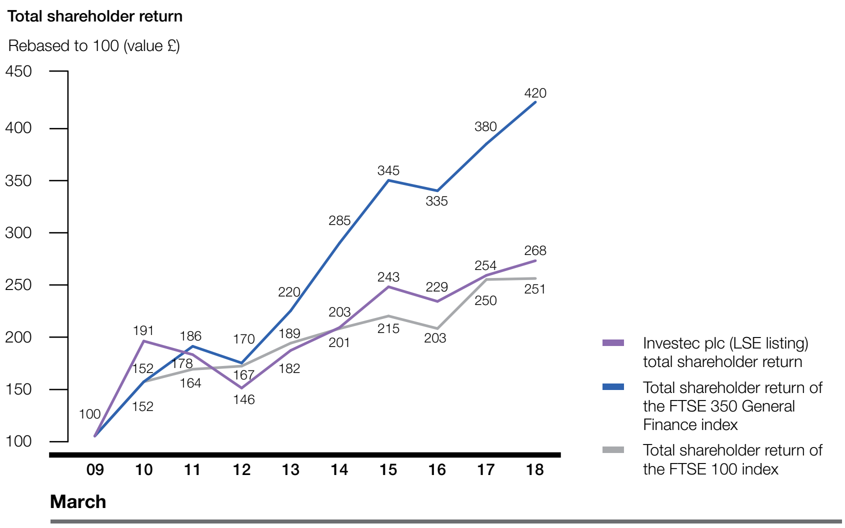
The graph below shows the cumulative shareholder return for a holding of our shares (in purple) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2018, a hypothetical £100 invested in Investec plc at 31 March 2009 would have generated a total return of £168 compared with a return of £320 if invested in the FTSE 350 General Finance Index and a return of £151 if invested in the FTSE 100 Index.

During the period from 1 April 2017 to 31 March 2018, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 5.4% and 4.7%, respectively.

This compares to a 10.6% return for the FTSE 350 General Finance Index, a return of 0.2% for the FTSE 100 Index and a return of 11.0% for the JSE Top 40 Index.

The market price of our shares on the LSE was £5.50 at 31 March 2018, ranging from a low of £4.61 to a high of £6.49 during the financial year. The market price of our shares on the JSE Limited was R92.28 at 31 March 2018, ranging from a low of R85.00 to a high of R105.62 during the financial year.

Performance graph



Source: Datastream

Table of CEO remuneration

In addition, the table below provides an nine-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 138.

Year ended 31 March	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure of total remuneration (£'000)	2 660	3 425	450	4 602	2 420	3 970	4 364	4 892	**3 503**
Salary, benefits, fixed allowance and bonus (£'000)*	2 660	3 425	450	1 950	2 420	3 970	2 884	3 412	**3 503**
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	**1 480**
Long-term incentives forfeited**	–	–	–	–	–	–	–	–	**(1 480)**
% maximum of short-term incentive	n/a^	n/a^	n/a^	n/a^	50%	65%	95%	92%	**95%**

* *The fixed allowance is granted in shares which are released over five years.*

** *On termination of employment outstanding long-term incentive awards will be pro-rated based on time served relative to the performance period of the award. In this regard two-thirds of the 2018 award will be forfeited and one-third of the 2017 award. Incentives awarded on 2 June 2016, 8 June 2017 and 31 May 2018 (as reflected in the March 2016, March 2017 and March 2018 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 2017 and 2018 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%	4.7%
Increase in total costs for Investec plc employees (in Pounds Sterling)	9.0%	4.0%
Increase in total costs for Investec Limited employees (In Rands)	12.1%	8.2%

Ratio of CEO remuneration to average remuneration for all employees

	Ratio of CEO remuneration to average remuneration for all employees[1]
CEO versus employees	27.15 times

1. *Calculated as the CEO single figure of remuneration divided by the total personnel costs divided by the average headcount for the year.*

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 2018	31 March 2017	% change
Group compensation costs	1 191 691	1 079 701	10.4%
– Fixed	773 802	690 161	12.1%
– Variable	417 889	389 540	7.3%
Dividends to shareholders	261 435	242 440	7.8%
– Ordinary shares	227 908	216 602	5.2%
– Preference shares	33 527	25 838	29.8%

Statement of voting at 2017 annual general meeting

The combined results on each of the two remuneration resolutions passed at the 2017 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	558 785 555	78%	158 582 833	22%	8 324 931
To approve the non-executive directors' remuneration	710 110 316	98%	11 956 517	2%	3 626 365

Statement of voting at 2015 annual general meeting

The results of the resolution approving the current remuneration policy at the 2015 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 policy	505 159 546	75%	167 830 111	25%	2 303 178

Additional remuneration disclosures (unaudited)

South African Companies Act, 2008 disclosures

In compliance with 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 for the year ended 31 March 2018, 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 138.

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 2019 and subsequent years

The directors' remuneration policy was last approved by shareholders three years ago at the AGM in August 2015, and as such we are required to get approval from shareholders for our proposed policy at the AGM on 8 August 2018, as required by regulations.

In summary our proposed remuneration policy:

- Incorporates certain amendments which are intended to address the feedback previously received from shareholders; and
- Given the management succession it focuses on our remuneration arrangements within the year of transition.

We have consulted extensively with our key shareholders in drafting the proposed policy, and the committee believes that the proposals it has included in its proposed remuneration policy address a number of matters previously raised by shareholders, as outlined in the Statement by the remuneration committee chair on pages 119 to 121.

The committee believes that the proposed remuneration policy:

- Reduces the total remuneration paid to the new executive directors
- Introduces tougher performance targets that are weighted more towards financial measures
- Achieves a better and simpler alignment between executive remuneration and the performance of Investec
- Appropriately addresses the total level of remuneration paid in the succession transition period.

Whilst we are proposing a three year policy, the committee will keep the policy under review and assess its appropriateness, particularly in light of the executive management transition process.

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

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 165 to 171.

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 existing CEO, MD and GRFD receive a fixed allowance in shares, as outlined in the table on page 154. The incoming executive directors will receive fixed pay, half of which will be delivered in shares, as outlined on page 157.

Benchmarks

The short-term incentive initially allocated to the CEO and pool (as reflected in our policy) was arrived at after benchmarking against the remuneration 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: Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Julius Baer, Macquarie Group, Nedbank Group, Schroders, Standard Bank Group and Standard Life Aberdeen plc.

The levels of CEO profit share, the pool and total remuneration 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 130 to 132).

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 European Banking Authority (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 244.2% of fixed remuneration.

Executive directors' remuneration policy table

The table below sets out the proposed remuneration policy for directors and explains each element and how it operates. This section of the report will be subject to a binding shareholder vote at our AGM on 8 August 2018.

Remuneration policy table for existing executive directors (current CEO, MD and GRFD) for the period to 31 March 2019

In terms of the group's succession announcement made on 6 February 2018, Stephen Koseff (current CEO) and Bernard Kantor (current MD) will step down from these roles on 1 October 2018. They will remain executive directors until 31 March 2019. Glynn Burger will remain as the group's GRFD until 31 March 2019.

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.[1]	• 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			
• 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 156.*

Executive directors' remuneration policy table *(continued)*

Remuneration policy table for existing executive directors (current CEO, MD and GRFD) for the period to 31 March 2019 *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Variable remuneration			
Short-term incentive			
• 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 12 months after vesting • Dividends and dividend equivalents are not earned on the deferred share portion • The 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 • Malus can be applied for up to seven years and clawback for up to 10 years after grant	• Based on a balanced scorecard of financial and non-financial performance measures with achievement levels that correspond with our short-term objectives[3] • 80% based on financial measures comprising: – Return on risk-weighted assets (30%); – Return on equity (30%); and – Operating margin of the combined asset management and wealth and investment businesses (20%) • 20% based on non-financial measures comprising: – Culture and values and cooperation related measures (7%); – "ESG" related measures (5%); and – Prudential and risk management related measures (8%) • If target performance conditions are achieved, distribution will be as follows: 0.23% of AOP to CEO; 0.23% of AOP to MD; and 0.2% of AOP to GRFD[2] • The performance achievement level is 0% for threshold performance, 100% for target performance and 150% for stretch performance • If all financial and non-financial stretch levels are met, up to 150% of the target may be awarded, subject to an overall maximum of variable remuneration (including LTIPs) being within the remuneration cap[4] • The remuneration committee will review the achievement levels for the short-term incentive on an annual basis	• Performance measures reduced from nine to six; financial from five to three and non-financial from four to three • A new financial measure that reflects the operating margin of the combined asset management and wealth and investment businesses has been introduced • The weighting of the financial measures has been increased from 60% to 80% • The non-financial and prudential measures have been reduced from 40% to 20% • New non-financial measures have been included, comprising culture, values and cooperation related measures; "ESG" related measures; and prudential and risk management related measures • The short-term incentive measures are now largely different to those used under the long-term incentive

2, 3, 4 Refer to page 156.

Executive directors' remuneration policy table *(continued)*

Remuneration policy table for existing executive directors (current CEO, MD and GRFD) for the period to 31 March 2019 *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Long-term incentive			
• Clear link between performance and remuneration • Embeds alignment with shareholder returns • Performance targets aligned with business objectives • Non-financial measures take into account the group's strategic and operational objectives	• Conditional awards of shares subject to performance conditions measured over three financial years • Awards vest 20% per annum commencing on the third anniversary and ending on the seventh anniversary of grant • Vested shares are subject to a further 12 month retention period • Dividends and dividend equivalents are not earned on unvested shares • Awards are subject to malus of unvested shares and clawback of vested shares • Malus can be applied for up to seven years, and clawback for up to 10 years after grant • The 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 • The existing executive directors have waived their rights to a long-term incentive award for the 2019 financial year given the succession transition	• Annual award of 100% of aggregate fixed remuneration • Awards are subject to the following performance measures and weightings[3]: – Growth in tangible net asset value per share (40%); – Return on risk-weighted assets (35%); – Non-financial measures (25%) • Targets for financial performance measures and non-financial measures will be set annually by the remuneration committee in advance of the award being made • The performance achievement level is 0% for threshold performance, 100% for target performance and 150% for stretch performance • If the stretch achievement levels for both the financial and non-financial measures 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	• The non-financial measures assessment scale changes from a four point scale to a six point scale, and the maximum potential score reduces from 200% to 150% for both the financial and non-financial measures • Clarification that all awards will be pro-rated based on time served relative to the performance period on termination of employment

Notes to the preceding table:

1. *Peer group companies include Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Julius Baer, Macquarie Group, Nedbank Group, Schroders, Standard Bank Group and Standard Life Aberdeen plc.*
2. *AOP defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.*
3. *The performance measures have been selected based on our business strategy and goals, taking into account regulations and our risk appetite framework. Targets will be set by the committee based on a range of internal and external factors including public financial and non-financial targets, internal benchmarks and hurdles, and economic and market conditions.*
4. *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 244.2% of fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

Remuneration policy table for the incoming executive directors

In terms of the group's succession announcement made on 6 February 2018, Hendrik du Toit and Fani Titi have been appointed as Joint CEO designates with effect from 1 April 2018. Ciaran Whelan will assume the risk director role and Kim McFarland the group finance and operations director role with effect from 1 April 2019; these executive director roles will be remunerated at the same level as set out below. Further information on our succession plan is provided on page 89.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Fixed remuneration			
• To provide an industry competitive package so that we are able to recruit and retain the people that we need to develop our business • The fixed remuneration reflects the relative skills and experience of, and contribution made by, the individual • Delivery of half in shares to ensure alignment with shareholders	• Fixed pay award • 50% delivered in cash, paid monthly • 50% delivered in shares, which vest immediately but only released equally after one year and two years • These share awards are made annually in early June each year • The first awards for incoming executive directors will be made in August 2018 following shareholder approval of the remuneration policy • Fixed remuneration is benchmarked against relevant comparator groups[1]	• 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	• Replacement of separate cash base salary and fixed allowance with single fixed pay • Delivered half in cash and half in shares • The total quantum for the Joint CEO designates is 90% of the salary and fixed allowance of the existing CEO and MD • The total quantum for the other executive directors is 80% of fixed pay of the Joint CEO designates
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 the cash element of fixed remuneration, not annual bonuses, is pensionable	• The individual can elect what proportion of fixed remuneration is allocated as their pension/provident contribution	• None

1. *Refer to page 159.*

Executive directors' remuneration policy table *(continued)*

Remuneration policy table for the incoming executive directors for the period to 31 March 2019 *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Variable remuneration			
Short-term incentive			
• 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 12 months after vesting • Dividends and dividend equivalents are not earned on the deferred share portion • The 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 • Malus can applied for up to seven years and clawback for up to 10 years after grant	• Based on a balanced scorecard of financial and non-financial performance measures with achievement levels that correspond with our short-term objectives[3] • 80% based on financial measures comprising: – Return on risk-weighted assets (30%); – Return on equity (30%); and – Operating margin of the combined asset management and wealth and investment businesses (20%) • 20% based on non-financial measures comprising: – Culture and values and cooperation related measures (7%); – ESG related measures 5%; and – Prudential and risk management related measures (8%) • If target performance conditions achieved, distribution will be as follows: 0.23% of AOP to each of the Joint CEO designates; 0.18% to each of the other executive directors[2] • The performance achievement level is 0% for threshold performance, 100% for target performance and 150% for stretch performance • If all financial and non-financial stretch levels are met, up to 150% of the target may be awarded, subject to an overall maximum of variable remuneration (including LTIPs) being within the remuneration cap[4] • The remuneration committee will review the achievement levels for the short-term incentive on an annual basis	• Performance measures reduced from nine to six; financial from five to three and non-financial from four to three • A new financial measure that reflects the operating margin of the combined asset management and wealth and investment businesses has been introduced • The weighting of the financial measures has been increased from 60% to 80% • The non-financial and prudential measures have been reduced from 40% to 20% • New non-financial measures have been included, comprising culture, values and cooperation related measures, "ESG" related measures and prudential and risk management related measures • The short-term incentive measures are now largely different to those used under the long-term incentive

2, 3, 4 Refer to page 159.

Executive directors' remuneration policy table *(continued)*

Remuneration policy table for the incoming executive directors for the period to 31 March 2019 *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Variable remuneration			
Long-term incentive			
• Clear link between performance and remuneration • Embeds alignment with shareholder returns • Performance targets aligned with business objectives • Non-financial measures take into account the group's strategic and operational objectives	• Conditional awards of shares subject to performance conditions measured over three financial years • Awards vest 20% per annum commencing on the third anniversary and ending on the seventh anniversary of grant • Vested shares are subject to a further 12 month retention period • Dividends and dividend equivalents are not earned on unvested shares • Awards are subject to malus of unvested shares and clawback of vested shares • Malus can be applied for up to seven years, and clawback for up to 10 years after grant • The 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 • These long-term incentive awards are made annually following the completion of the financial year	• Annual award of 100% of aggregate fixed remuneration • Awards are subject to the following performance measures and weightings[3]: – Growth in tangible net asset value per share (40%); – Return on risk-weighted assets (35%); – Non-financial measures (25%) • Targets for financial performance measures and non-financial measures will be set annually by the remuneration committee in advance of the award being made • The performance achievement level is 0% for threshold performance, 100% for target performance and 150% for stretch performance • If the stretch achievement levels for both the financial and non-financial measures 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	• The non-financial measures assessment scale changes from a four point scale to a six point scale, and the maximum potential score reduces from 200% to 150% for both the financial and non-financial measures • Clarification that all awards will be pro-rated based on time served over the measurement period

Notes to the preceding table:

1. *Peer group companies include Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Julius Baer, Macquarie Group, Nedbank Group, Schroders, Standard Bank Group and Standard Life Aberdeen plc.*
2. *AOP defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.*
3. *The performance measures have been selected based on our business strategy and goals, taking into account regulations and our risk appetite framework. Targets will be set by the committee based on a range of internal and external factors including public financial and non-financial targets, internal benchmarks and hurdles, and economic and market conditions.*
4. *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 244.2% fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

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 130 to 136.

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 and non-financial measures 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 153), 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 executive directors. Short-term incentives for executive directors and employees defined as Material Risk Takers are subject to deferral, malus and clawback requirements. The specific remuneration structural requirements of CRD IV are only applicable to the executive directors 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 165 to 171.

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. The treatment of each element of remuneration on recruitment will be as set out below.

Element	Commentary	Maximum value
Fixed pay	Determined by market conditions, market practice and ability to recruit If fixed pay below market level on recruitment or promotion, remuneration committee may realign fixed pay over transitional period with higher than normal increases	In line with policy
Pension	In line with normal policy: these are agreed deductions from fixed pay	15% of salary
Other benefits	Offered in line with normal policy: these are agreed deductions from fixed pay	In line with policy
STI	In line with normal policy	150% of fixed remuneration subject to remuneration cap*
LTIP	In line with normal policy	135% of fixed remuneration subject to remuneration cap*
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, form of delivery and performance adjustment (malus and clawback) conditions 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 244.2% of fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

Service contracts and terms of employment

The terms of service contracts and provision for compensation for loss of office for executive directors is set out below.

Executive directors
Indefinite service contracts of employment, terminable by either party with six months' written notice
Fixed pay, benefits and pension payable for period of notice
No provision for compensation payable on early termination
Outstanding deferred short-term incentive shares or long-term incentive awards lapse on resignation or termination for gross misconduct
Deferred share 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)
On termination of employment outstanding long-term incentive awards may be retained if the director is considered a 'good leaver' and will be pro-rated based on time served relative to the performance period of the award
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
Executive directors are required to build and maintain a shareholding of 200% of the cash element of fixed remuneration over a reasonable timeframe.

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.

The terms of appointment for non-executive directors are set out below.

On appointment non-executive directors are provided with a letter of appointment. On the recommendation of the nominations and directors affairs' committee (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. No compensation is payable on termination of directorship. Copies of their letters of appointment are available for inspection at the company's registered office.

How does executive directors' remuneration change based on performance?

Illustrative scenarios for the incoming executive directors' remuneration

The charts on page 162 show the potential value of the 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' value 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' value of any long-term incentives that may be awarded.

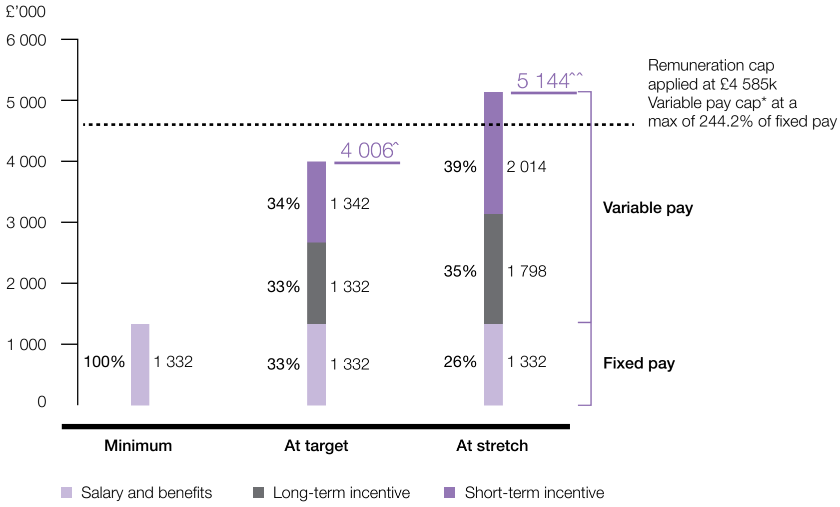
The scenarios do not reflect share price movement between award and potential vesting, nor are any dividends or dividend equivalents taken into account.

For the incoming executive directors based on the remuneration policy proposed for the year ending 31 March 2019:

- Fixed remuneration includes fixed pay, company pension contributions and benefits receivable (i.e. as proposed for the year ending 31 March 2019). Fixed remuneration is paid partly in cash and partly in shares
- Target variable short-term incentive is 0.23% each for the Joint CEO designates and 0.18% each for the other executive directors of adjusted operating profit (after total non-controlling interests) based on £583.7 million as reported for the financial year ended 31 March 2018 and maximum variable short-term incentive is 150% 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; the current maximum is variable remuneration of 244.2% of fixed remuneration)
- Target long-term incentive is equal to one times fixed remuneration. Maximum long-term incentive is 135% 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; the current maximum is variable remuneration of 244.2% of fixed remuneration)

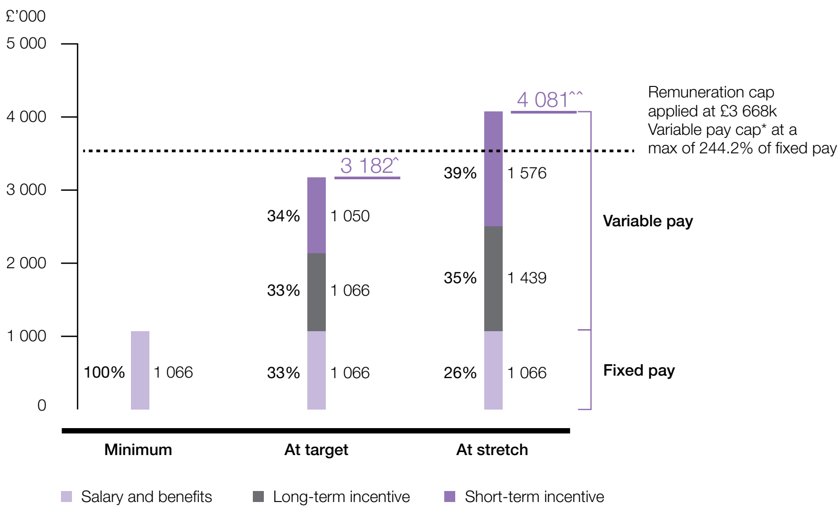
Illustrative payouts for the Joint CEOs

The graph below illustrates the total remuneration at the target and stretch achievement levels for the Joint CEOs.



Illustrative payouts for the other incoming executive directors

The graph below illustrates the total remuneration at the target and stretch achievement levels for the other incoming executive directors.



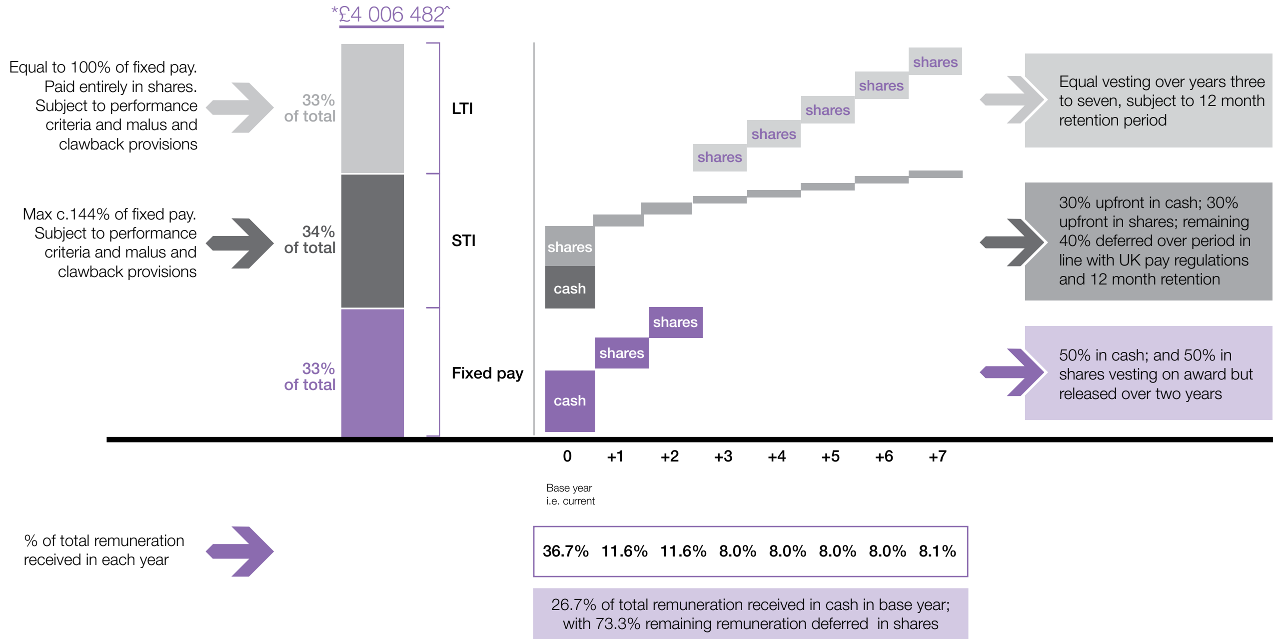
* *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration, depending on the length of deferral, inflation and interest rates. This is currently 244.2% of fixed remuneration. These limits will be in line with this cap.*

^ *Based on operating profit earned at 31 March 2018 and assuming that the "at target" achievement level is achieved for each financial and non-financial measure in the proposed short-term and long-term schemes.*

^^ *Based on operating profit earned at 31 March 2018 and assuming that the "at stretch" achievement level is achieved for each financial and non-financial measure in the proposed short-term and long-term schemes.*

Proposed remuneration payout profile for Joint CEOs

The graph below illustrates the timing of payments for each component of total reward.



^ *Based on operating profit earned at 31 March 2018 and assuming that the "at target" achievement level is achieved for each financial and non-financial measure in the proposed short-term and long-term schemes.*

Comparison of overall executive directors' compensation costs

The tables below summarise the total spend for members of the executive board before, during and after the management succession transition period.

	Year ended 31 March 2018 Total compensation USING CURRENT SCHEME £'000
CEO^	4 983
MD^	4 983
GRFD^	4 431
IAM CEO	6 088
Total	**20 485**

	Year ending 31 March 2019 Total compensation ESTIMATE^^ "AT TARGET ACHIEVEMENT LEVELS" USING PROPOSED SCHEME £'000
Joint CEO	4 006
Joint CEO	4 006
Outgoing CEO	2 151
Outgoing MD	2 151
GRFD	2 503
New executive director	3 182
Total	**17 999 (-12% change from 2018)**

	Year ending 31 March 2020 Total compensation ESTIMATE^^ "AT TARGET ACHIEVEMENT LEVELS" USING PROPOSED SCHEME £'000
Joint CEO	4 006
Joint CEO	4 006
Director of risk	3 182
Director of finance, operations and IT	3 182
Total	**14 376 (-30% change from 2018)**

^ *These amounts reflect remuneration prior to deducting the value of long-term incentives that will be forfeited, as explained on page 138. This is to ensure a like-for-like comparison.*

^^ *Based on operating profit earned for the year ended 31 March 2018 and assuming that the "at target" achievement level is achieved for each financial and non-financial measure in the proposed short-term incentive scheme.*

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. There are no proposed changes to the overall policy.

Purpose and link to strategy	Operation	Maximum value and performance targets
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, and for chairmanship and membership of major DLC board committees, membership of the Investec Bank Limited and Investec Bank plc and other subsidiary company 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 unless specifically approved by shareholders • Refer to page 137 for further information

Note: South Africa Value-Added Tax (VAT), at the prevailing rate, where applicable, will be added to the fees payable by Investec Limited. Two binding general rulings were issued by the South African Revenue Service (SARS) confirming the South African Value-Added Tax (VAT) law 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 with effect from 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 group 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 2018. Investec Bank plc currently has 56 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 received a fixed allowance in shares, as outlined in the table on page 154.
- The incoming executive directors will receive a fixed pay award of cash and shares.

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. Our reward programmes also recognise potential in our people.

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 executive directors and other Material Risk Takers (as discussed on page 153).

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' role based allowances, are pensionable.

Variable short-term incentive: annual bonus

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our three operating divisions: Asset Management, Wealth & Investment and the Specialist Bank. This reflects differing regulatory requirements on the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentive

Risk-weighted returns form basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on page 40.

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 executive 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 partly by a levy payable by operating businesses on their operating profit, and is supplemented by a discretionary allocation as determined by the executive directors, and agreed by the remuneration committee.

Our EVA model has been consistently applied for a period of about 19 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 profit
- 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 in Investec's 2018 integrated annual report.

- 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 executive directors 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
- 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 over a period of approximately three years; or cash released in three equal tranches over a period of approximately three years. 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. 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 certain 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 all in cash
- The upfront short-term share awards will vest immediately, but will only be released after a period of 12 months
- 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 12 months, for all Material Risks Takers, with the exception of Risk Managers, for which it is six months

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. This stake has since increased to 18%. 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.

Hendrick du Toit and Kim McFarland are participants in the trust. Given the potential conflicts of interest inherent in this given their newly appointed executive roles, it is our intention that this situation is resolved by 30 September 2018.

Investec Wealth & Investment in the UK: 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 incentive 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 the bonus plan 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 166 to 168.

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 after approximately three, four and five years, 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 12 month retention period, with the exception of Risk Managers, for which it is six months. 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 and those above a particular threshold, 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.

Diversity and inclusion, including gender pay gap reporting

Foreword

At Investec, we are committed to attracting, developing and retaining a diverse team of people. 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 recognise the benefits of a diverse workforce being able to contribute alternative perspectives and challenge the status quo, which is integral to the Investec culture.

We seek to be a positive influence in all our core businesses and in each of the societies in which we operate. Embedded in our corporate responsibility philosophy is that we are an organisation that lives in society, not off it. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We believe that this will ensure the best outcome for all stakeholders. We want to be a company that does the right thing by its people and the places where we operate.

We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay.

We are dedicated to improving this in line with our commitment to promoting diversity. We know that while we have worked to address greater representation of women, we have more to do. We have established targets and have the measures in place needed to meet these as set out in this report. We are committed to advancement and holding ourselves publicly accountable.

The details of our 2017 gender pay gap are set out below. We have published information for our three UK employing entities, Investec Bank plc; Investec Wealth & Investment UK and Investec Asset Management Limited as part of the UK government's requirements for all UK companies with over 250 employees to report their gender pay gap. This information is provided on our website. Further information for the Investec group is provided alongside.

What is the gender pay gap?

Gender pay gap legislation was introduced in the UK to encourage employers to make greater advances in addressing the disparity of earnings between men and women over their careers. The gender pay gap measures the difference between the average amounts men and women are paid across all of our employee categories.

This is different from Equal Pay legislation in the UK which requires individuals to be paid equally for performing work of equal value. We would like to make clear that we give men and women equal pay for the same roles and have appropriate practices in place to ensure fairness, which are regularly reviewed by our remuneration committee.

Our diversity principles

While we have actively tried to increase the diversity of our senior leadership, we recognise that across our organisation we have more work to do. That is why we have put together our own set of diversity principles to help define the framework for that journey. These apply across the global business and while this report is specifically about the Gender Pay Gap in the UK, our diversity principles apply to all our efforts, including transformation in South Africa.

- We believe in the importance and benefits of diversity and foster a culture that is supportive and inclusive of different perspectives and experiences
- As a global specialist bank and asset manager, diversity ensures that we represent the diversity of our global client base
- Our commitment to diversity is fundamentally about 'doing the right thing'
- We are progressing towards a working environment that is more agile and responsive to the needs of all individuals, with flexible work arrangements encouraged where appropriate
- In terms of diversity, we commit to equal compensation on a like-for-like basis
- We will work proactively to rebalance our organisation in line with the societies in which we operate by empowering communities through entrepreneurship and education, and leveraging the value in our diversity
- We will measure and track progress annually
- We will work towards achieving our targets through concrete actions (refer to pages 173 and 174).

Investec gender pay gap results

The Investec group's (comprising Investec plc and Investec Limited) gender pay gap statistics are shown below.

The below data is based on a snapshot of hourly rates of pay in the pay period encompassing 5 April 2017, and bonuses paid during the 12 months to 5 April 2017.

The methodology utilised is based on the UK gender pay gap legislation but differs slightly where local practices dictate, and where required to more accurately reflect the gap at Investec.

Hourly and bonus pay gap

	Investec plc		Investec Limited	
	Mean %	Median %	Mean %	Median %
Hourly gap	40.3	41.2	34.4	29.3
Bonus gap	73.9	74.1	73.3	34.1

***Mean** – The mean figure represents the difference between the average of men's and women's pay expressed as a percentage of the average male pay.*
***Median** – The median represents the difference between the midpoints in the ranges of men's and women's pay expressed as a percentage of the male midpoint.*

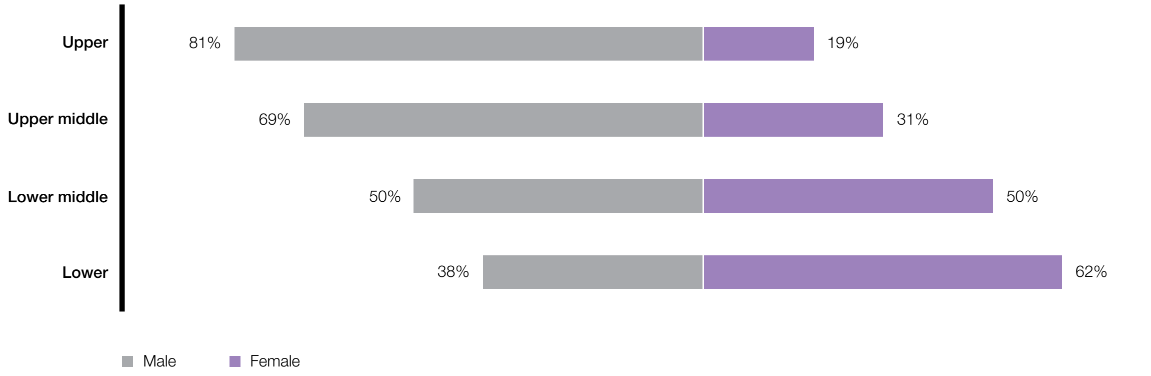
Proportion receiving a bonus

	Investec plc	Investec Limited
	Percentage	Percentage
Male	82.3	78.1
Female	83.8	78.3

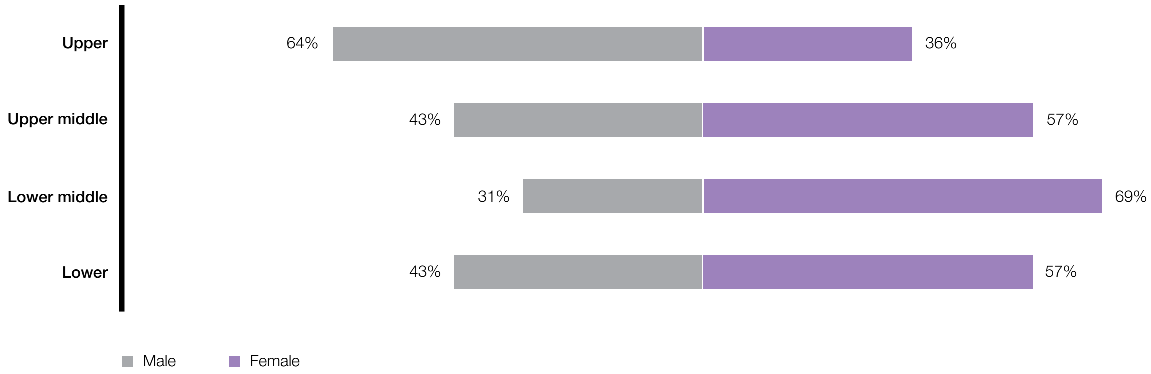
Proportion of men and women within each pay quartile

Each quartile represents an equal number of employees

Investec plc



Investec Limited



Investec UK gender pay gap results

The official UK gender pay gap results, required under the UK gender pay gap legislation are published on our website.

Why does Investec have a gender pay gap?

The gender and bonus pay gaps are calculated on averages across the whole of an organisation and do not take into consideration factors such as the type of role and level of seniority. Our gender gap occurs primarily because there is a higher proportion of women in junior roles and a lower proportion of women in senior leadership, revenue-generating and client-facing roles. The pay levels and higher ratio of variable to fixed remuneration for these senior roles magnifies the pay and bonus gaps. We are confident that men and women are paid fairly and equitably relative to their role, skills and experience, and this is central to our reward philosophy.

All of our employees are eligible to receive a discretionary bonus. Our reward structure is performance linked and gender-neutral by design. Employees are typically eligible for a bonus after a minimum period of employment has been completed. The key reason for differences between the percentage of men and women receiving a bonus is due to the timing of new hires and whether the minimum period of employment has been completed prior to our financial year end.

We acknowledge that we have a gender pay gap and are committed to making material progress in narrowing this gap. We are taking steps to achieve greater female representation in senior leadership and client facing roles within the organisation and are dedicated to reducing the gender pay and bonus differential over time.

How are we addressing our gender pay gap?

Across our organisation we are committed to ensuring that women fulfil their career ambitions. We recognise that addressing the gender pay gap will take time, and we have established a number of initiatives in order to achieve our aspirational goals and targets.

Commitment to our core values

Our core philosophies value diversity and respect for individuals. We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference. We support and respect the protection of internationally proclaimed human rights standards and welcome the legislated UK Modern Slavery Act 2015. We have various processes to encourage debate and dialogue around appreciating diversity and different cultures.

Gender balanced recruitment

We are taking a proactive approach to ensure that we are able to attract as diverse a pool of candidates as possible. For example, we are committed to balanced and diversified shortlists for all open roles. We believe this gives us a better chance of hiring the best person for the role. We are working with both internal and external recruiters to ensure that shortlists and interview panels are appropriately balanced. We also work hard to ensure that our graduate recruitment focuses on building a diverse and balanced pipeline of talent for our business.

Learning and development

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. 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. We support a number of external learning programmes and have developed many internal learning programmes.

We are creating ways to deliver mentoring across the group. Our aim is to support our colleagues, in particular, in shaping and progressing their careers. Investec Inspire is a network for women at Investec which enables the exchange of knowledge and experiences in order to improve the opportunities for career success.

Family-friendly policies and work practices

We have a number of policies and practices that help to balance family needs. We are also progressing towards a more agile environment, with flexible work encouraged where appropriate.

Diversity awareness programmes

We are implementing a range of internal diversity awareness programmes. We have piloted our "Zebra Crossing" initiative for senior leaders and the Investec Inspire executive committee, and are extending it to a broader audience. The Zebra Crossing initiative explores the complexities of diversity at a personal, interpersonal and an institutional level. We want our people to think deeply about diversity and inclusion and understand how decisions and behaviours are driven.

Measurement and accountability

To help us measure the pace of change, we have set a number of goals and targets. The group has signed up to the 30% Club in both South Africa and the UK promoting female board representation. We also support the target of 33% female representation on the board by 2020, as oer the Hampton-Alexander Review. Having a diverse board is a clear benefit, bringing with it distinct and different outlooks, alternative viewpoints, and challenging mindsets

Each of our UK employing entities have adopted their own specific targets in order to reinforce our commitment to gender diversity:

- Investec Bank plc and Investec Wealth & Investment UK have signed up to the Women in Finance Charter and in doing so have committed to: having a senior executive team member responsible for diversity and inclusion; meeting set targets for diversity; publishing progress reports annually; and linking pay of senior executives to delivery of these targets
- Investec Asset Management have publically committed to achieving a target of 30% of women in senior leadership by 2023 and beyond

Experience shows that genuine progress can take longer to achieve than we might otherwise like. We believe that these measures are realistic. Progress against our objectives will be reviewed regularly by the relevant executive management and boards.

PRA and FCA Remuneration Code and Pillar III disclosures

In terms of the PRA's Chapter on Disclosure Requirements and Part 8 of the Capital Requirements Regulation 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 56 individuals were Material Risk Takers in 2018.

The bank's qualitative remuneration disclosures are provided on pages 119 to 171.

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 2018.

Aggregate remuneration by remuneration type awarded during the financial year

	Senior management	Other Material Risk Takers	Total
Fixed remuneration	14.9	10.7	25.6
– Cash	11.9	10.7	22.6
– Shares	3.0	–	3.0
Variable remuneration*	19.8	10.4	30.2
– Cash	4.8	3.0	7.8
– Deferred cash	1.3	1.7	3.0
– Deferred shares	5.4	2.3	7.7
– Deferred shares – long-term incentive awards**	8.3	3.4	11.7
Total aggregate remuneration and deferred incentives (£'million)	**34.7**	**21.1**	**55.8**
Number of employees***	25	25	50
Ratio between fixed and variable pay	0.8	1.0	0.8

* *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 or 12 month retention period after vesting.*
*** *This excludes non-executive directors.*

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	10
£1 200 001 – £1 600 000	10
£1 600 001 – £2 000 000	3
£2 000 001 – £2 400 000	–
£2 400 001 – £2 800 000	–
£2 800 001 – £3 200 000	1
£3 200 001 – £3 600 000	1
£3 600 001 – £4 000 000	1
£4 000 001 – £4 400 000	–
£4 400 001 – £4 800 000	1
£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	22.9	34.7	57.6
Deferred unvested remuneration adjustment – employees no longer Material Risk Takers and reclassifications	(0.9)	(0.4)	(1.3)
Deferred remuneration awarded in year	15.0	7.4	22.4
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration reduced in year through malus and clawback adjustments^^	–	–	–
Deferred remuneration vested in year	(4.7)	(12.7)	(17.4)
Deferred unvested remuneration outstanding at the end of the year	**32.3**	**29.0**	**61.3**

^^ *All employees are subject to malus and clawback provisions as discussed on page 168. 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	29.6	24.1	53.7
– Cash	2.7	4.9	7.6
	32.3	**29.0**	**61.3**

£'million	Senior management	Other Material Risk Takers	Total
Deferred remuneration vested in year			
– For awards made in 2016 financial year	1.1	1.3	2.4
– For awards made in 2015 financial year	2.2	4.4	6.6
– For awards made in 2014 financial year	1.4	7.0	8.4
	4.7	**12.7**	**17.4**

Other remuneration disclosures

£'million	Senior management	Other Material Risk Takers	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	–	0.2	0.2
Number of beneficiaries	–	1.0	1.0
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

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 Prudential Authority's Basel Pillar III disclosure requirements.

The bank's qualitative remuneration disclosures are provided on pages 119 to 171.

The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2018.

In the tables below senior management are defined as members of our South African general management forum, excluding executive directors. Material risk takers are defined as 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. Furthermore, financial and risk control staff are defined as everyone in central group finance and central group risk as well as employees responsible for Risk and Finance functions within the operating business units.

Aggregate remuneration by remuneration type awarded during the financial year

	Senior management	Material risk takers	Financial and risk control staff	Total
Fixed remuneration (all cash based and no portion is deferred)	50.6	50.8	198.3	299.7
Variable remuneration*	266.1	203.4	187.0	656.5
– Cash	94.1	85.6	101.6	281.3
– Deferred shares	59.7	52.2	10.0	121.9
– Deferred cash	25.2	–	–	25.2
– Deferred shares – long-term incentive awards**	87.1	65.6	75.4	228.1
Total aggregate remuneration and deferred incentives (R'million)	**316.7**	**254.2**	**385.3**	**956.2**
Number of employees	19	21	242	282
Ratio of fixed and variable pay	0.19	0.25	1.1	0.46

* *Total number of employees receiving variable remuneration was 274.*

** *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	Material risk takers	Financial and risk control staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	462.0	424.9	199.9	1 086.8
Deferred unvested remuneration adjustment – employees that are no longer employed by the bank and reclassifications	77.0	(94.5)	118.8	101.3
Deferred remuneration awarded in year	172.0	117.8	85.4	375.2
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration reduced in year through malus adjustments	–	–	–	–
Deferred remuneration vested in year	(200.9)	(123.2)	(117.4)	(441.5)
Deferred unvested remuneration outstanding at the end of the year	**510.1**	**325.0**	**286.7**	**1 121.8**

R'million	Senior management	Material risk takers	Financial and risk control staff	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	433.1	325.0	286.7	1 044.8
– Cash	77.0	–	–	77.0
	510.1	**325.0**	**286.7**	**1 121.8**

R'million	Senior management	Material risk takers	Financial and risk control staff	Total
Deferred remuneration vested in year				
– For awards made in 2017 financial year	23.4	14.7	1.5	39.6
– For awards made in 2016 financial year	22.2	15.7	2.7	40.6
– For awards made in 2015 financial year	67.3	45.4	30.6	143.3
– For awards made in 2014 financial year	79.3	43.7	75.2	198.2
– For awards made in 2013 financial year	8.7	3.7	7.4	19.8
	200.9	**123.2**	**117.4**	**441.5**

Other remuneration disclosures: special payments

R'million	Senior management	Material risk takers	Financial and risk control staff	Total
Sign-on payments				
Made during the year (R'million)	–	2.7	–	2.7
Number of beneficiaries	–	1	–	1
Severance payments				
Made during the year (R'million)	3.2	1.9	–	5.1
Number of beneficiaries	1	1	–	2
Guaranteed bonuses				
Made during the year (R'million)	–	2.7	–	2.7
Number of beneficiaries	–	1	–	1

Summary annual financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on page 189, is made with a view to distinguishing for stakeholders, the respective responsibilities of the directors and of the external auditors in relation to the combined consolidated annual financial statements.

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated annual financial statements that fairly present the state of affairs of the group at the end of the financial year the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties
- The group's Internal Audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group audit committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business
- The group audit committees, together with Internal Audit, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.

The annual financial statements of the companies and the group have been prepared in accordance with the respective Companies Acts of the UK and South Africa and comply with IFRS and Article 4 of the IAS Regulation and comply with IFRS 101 in respect of Investec plc parent company accounts.

The directors are of the opinion, based on their knowledge of the companies, key processes in operation and enquiries that adequate resources exist to support the companies on a going concern basis over the next year. These annual financial statements have been prepared on that basis.

It is the responsibility of the external auditors to report on the combined consolidated annual financial statements. Their reports to the members of the companies are set out on page 189. As far as the directors are aware, there is no relevant audit information of which the external auditors are unaware.

Approval of annual financial statements

The directors' report and the annual financial statements of the companies and the group, which appear on pages 182 to 188 and pages 190 to 228, were approved by the board of directors on 12 June 2018.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the UK governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff	**Bernard Kantor**
Chief executive officer	Managing director

15 June 2018

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act, No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2018, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Niki van Wyk
Company secretary, Investec Limited

15 June 2018

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, UK and Europe, South Africa and Asia/Australia as well as certain other countries. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

Section 414A of the UK Companies Act 2006 requires the directors to present a strategic report in the annual report and accounts. The company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its strategic report that would otherwise be disclosed in this directors' report. The strategic report on pages 24 to 27 provides an overview of our strategic position, performance during the financial year and details of likely future developments in the business.

The strategic report should be read in conjunction with the sections on pages 28 to 179 which elaborate on the aspects highlighted in this review.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

Authorised and issued share capital

Investec plc and Investec Limited

Details of the share capital are set out in note 42 to the annual financial statements.

Investec plc

During the year, the following shares were issued:

- 9 525 195 ordinary shares on 15 June 2017 at 587.00 pence per share
- 7 007 432 special converting shares on 15 June 2017 of £0.0002 each at par
- 1 810 386 ordinary shares on 22 September 2017 at 436.00 pence per share
- 2 550 138 special converting shares on 24 November 2017 of £0.0002 each at par
- 1 397 489 ordinary shares on 24 November 2017 at 503.00 pence per share.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2018. At 31 March 2018, Investec plc held 19 722 086 shares in treasury (2017: 18 293 688). The maximum number of shares held in treasury by Investec plc during the period under review was 21 451 568 shares.

Investec Limited

During the year, the following shares were issued:

- 9 525 195 special convertible redeemable preference shares of R0.0002 each on 15 June 2017 at par
- 7 007 432 ordinary shares on 15 June 2017 at R97.45 per share (R0.0002 par and premium of R97.4498 per share)
- 1 810 386 special convertible redeemable preference shares of R0.0002 each on 22 September 2017 at par
- 2 550 138 ordinary shares on 24 November 2017 at R94.94 per share (R0.0002 par and premium of R94.9398 per share)
- 1 397 489 special convertible redeemable preference shares of R0.0002 each on 24 November 2017 at par.

On 19 May 2017, the early redemption of 26 288 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share). On 31 May 2017, the early redemption of a further 23 659 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2018. At 31 March 2018, Investec Limited held 27 013 057 shares in treasury (2017: 31 354 669). The maximum number of shares held in treasury by Investec Limited during the period under review was 32 332 430 shares.

Financial results

The combined consolidated results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2018. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

Investec plc

An interim dividend of 10.5 pence per ordinary share (2016: 10 pence) was paid on 20 December 2017, as follows:

- 10.5 pence per ordinary share to non-South African resident shareholders registered on 8 December 2017
- To South African resident shareholders registered on 8 December 2017, through a dividend paid by Investec Limited on the SA DAS share, of 8 pence per ordinary share and 2.5 pence per ordinary share paid by Investec plc.

The directors have proposed a final dividend to shareholders registered on 27 July 2018, of 13.5 pence (2017: 13 pence) per ordinary share, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 8 August 2018 and, if approved, will be paid on 13 August 2018, as follows:

- 13.5 pence per ordinary share to non-South African resident shareholders (2017: 13 pence) registered on 27 July 2018
- To South African resident shareholders registered on 27 July 2018, through a dividend paid by Investec Limited on the SA DAS share, of 7 pence per ordinary share and 6.5 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 200.0 cents per ordinary share (2016: 178.0 cents) was declared to shareholders registered on 8 December 2017 and was paid on 20 December 2017.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2018 of 232 cents (2017: 225 cents) per ordinary share. The final dividend will be payable on Monday, 13 August 2018 to shareholders on the register at the close of business on Friday, 27 July 2018. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Wednesday, 8 August 2018.

Preference dividends

Investec plc

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 23 for the period 1 April 2017 to 30 September 2017, amounting to 6.26712 pence per share, was declared to members holding preference shares registered on 1 December 2017 and was paid on 11 December 2017.

Preference dividend number 24 for the period 1 October 2017 to 31 March 2018, amounting to 7.26027 pence per share, was declared to members holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 13 for the period 1 April 2017 to 30 September 2017, amounting to 495.43151 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 1 December 2017 and was paid on 11 December 2017.

Preference dividend number 14 for the period 1 October 2017 to 31 March 2018, amounting to 485.34589 cents per share, was declared to members holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

Investec Limited

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 26 for the period 1 April 2017 to 30 September 2017, amounting to 405.57588 cents per share, was declared to shareholders holding preference shares registered on 8 December 2017 and was paid on 11 December 2017.

Preference dividend number 27 for the period 1 October 2017 to 31 March 2018, amounting to 397.31947 cents per share, was declared to shareholders holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 9 for the period 1 April 2017 to 30 June 2017, amounting to 1459.78410 cents per share, was declared to shareholders holding preference shares on 21 July 2017 and was paid on 24 July 2017.

Preference dividend number 10 for the period 1 July 2017 to 30 September 2017, amounting to 1448.90208 cents per share, was declared to shareholders holding preference shares on 20 October 2017 and was paid on 23 October 2017.

Preference dividend number 11 for the period 1 October 2017 to 31 December 2017, amounting to 1441.42330 cents per share, was declared to shareholders holding preference shares on 19 January 2018 and was paid on 22 January 2018.

Preference dividend number 12 for the period 1 January 2018 to 31 March 2018, amounting to 1408.96502 cents per share, was declared to shareholders holding preference shares on 20 April 2018 and was paid on 23 April 2018.

Redeemable cumulative preference shares

Dividends amounting to R22 987 563 (2017: R23 190 399) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and company secretaries of Investec plc and Investec Limited are reflected on pages 93 to 98 and 100.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2018 annual general meeting.

The company secretary of Investec plc is David Miller and Niki van Wyk is the company secretary of Investec Limited.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 143 to 147.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 86 to 108.

Share incentives

Details regarding options granted during the year are set out on page 148.

Audit committees

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit committees can be found in the Investec 2018 integrated annual report.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc and Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 8 August 2018.

Contracts

Refer to page 161 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies can be found in the Investec 2018 integrated annual report.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 110.

Special resolutions

Investec plc

At the annual general meeting held on 10 August 2017, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the UK Companies Act 2006
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the UK Companies Act 2006.

Investec Limited

At the annual general meeting held on 10 August 2017, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own Class ILRP2 redeemable, non-participating preference shares, any other redeemable, non-participating preference shares and non-redeemable, non-cumulative, non-participating preference shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to approve the directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable UK and South African law and International Financial Reporting Standards. The parent company accounts of Investec plc are prepared under IFRS 101.

The accounting policies adopted in this abridged report are consistent with the Investec 2018 integrated annual report.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report in the Investec 2018 integrated annual report.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found in the Investec 2018 integrated annual report.

Employees

The group's approach is to recruit and promote on the basis of aptitude and attitude, with the deliberate intent to build a diverse workforce and promote an inclusive workplace, appropriately and fully representative of the jurisdiction's population. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices.

This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate, the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided on pages 114 to 117.

Political donations and expenditure

Investec plc did not make any donations for political purposes in the UK or the rest of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Neither Investec Limited nor its subsidiaries made any political donations during the 2018 financial year (2017: R3.5 million).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business, and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information can be found in the Investec 2018 integrated annual report.

Going concern

Refer to the directors' statement in relation to going concern in the Investec 2018 integrated annual report.

Research and development

In the ordinary course of business, Investec develops new products and services in each of its business divisions.

Viability statement

Refer to pages 106 to 107 for the directors' viability statement.

Risk management policies

The group's policies for managing the financial risk to which it is exposed and exposure to price, credit, liquidity and cash flow risk are set out in the risk management section in the Investec 2018 integrated annual report.

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act 2006).

The board considers that this integrated annual report and annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

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

PKO Crosthwaite.

Perry Crosthwaite
Chairman

Stephen Koseff
Chief executive officer

15 June 2018

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act 2006). This is a summary only and the relevant provisions of the Articles or the UK Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2018 consists of 669 838 695 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 310 722 744 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the UK Companies Act 2006, the UK Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the UK Companies Act 2006, Investec plc may by ordinary resolution from time-to-time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act 2006.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and, on a poll, every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the UK Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act 2006.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the UK Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal. The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the UK Companies Act 2006 and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time-to-time and with any other shares of Investec plc that are expressed to rank *pari passu* herewith as regards to participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards to dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference shares and equal basis, the right to a return of capital on the winding up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with the Articles after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand-denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating preference shares, as outlined above, save that they are denominated in South African Rands.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the:

(i) variation of the rights attaching to the shares or

(ii) winding up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the UK Companies Act 2006, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Independent auditor's report to the members of Investec plc

We have examined the summary financial information for the year ended 31 March 2018 which comprises the Combined Consolidated Income Statement, the Combined Consolidated Statement of Comprehensive Income, the Combined Consolidated Balance Sheet, the Combined Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the accounting policies set out on page 196 and the related notes.

This report is made solely to the Members, of Investec plc (the "Group"), as a body, in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our work, for this report, or the opinion we have formed.

Respective responsibilities of the Directors and the auditor

The Directors are responsible for preparing the summary financial information so that it is consistent with the full annual financial statements of the Group for the year ended 31 March 2018.

Our responsibility is to report to you our opinion on the consistency of the summary financial information with the full annual financial statements and the auditable part of the Remuneration Report.

We also read the other information contained in the integrated annual review and summary financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial information.

Our report on the Group's full annual financial statements describes the basis of our opinion on those financial statements and on the auditable part of the Remuneration Report.

Opinion

In our opinion the summary financial information is consistent with the full financial statements and Remuneration Report of the Group for the year ended 31 March 2018.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements dated 12 June 2018 and the date of this statement.

Ernst & Young LLP

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

15 June 2018

Dirctors' statement

The auditor has issued unqualified reports on the full annual financial statements, the auditable part of the directors' remuneration report and on the consistency of the strategic and directors' report with those annual financial statements. Their report on the full Annual Financial Statements and the auditable part of the directors' remuneration report can be found be on the Investec plc website www.investec.com/en_za/#home/investor_relations.html.

Combined consolidated income statement

£'000	Notes	Year to 31 March 2018	Year to 31 March 2017
Interest income		2 491 009	2 230 765
Interest expense		(1 730 611)	(1 550 870)
Net interest income	2	**760 398**	**679 895**
Fee and commission income	3	1 543 447	1 429 588
Fee and commission expense	3	(182 240)	(158 064)
Investment income	4	130 048	136 203
Share of post taxation profit of associates	28	46 823	18 890
Trading income/(loss) arising from			
– customer flow		138 226	158 001
– balance sheet management and other trading activities		(4 307)	8 218
Other operating income	5	11 115	13 483
Total operating income before impairment losses on loans and advances		**2 443 510**	**2 286 214**
Impairment losses on loans and advances	26	(148 556)	(111 454)
Operating income		**2 294 954**	**2 174 760**
Operating costs	6	(1 632 740)	(1 513 231)
Depreciation on operating leased assets	6	(2 421)	(2 169)
Operating profit before goodwill and acquired intangibles		**659 793**	**659 360**
Impairment of goodwill	33	–	(4 749)
Amortisation of acquired intangibles	34	(16 255)	(17 197)
Operating profit		**643 538**	**637 414**
Additional costs on acquisition of subsidiary	35	(6 039)	–
Profit before taxation		**637 499**	**637 414**
Taxation on operating profit before goodwill and acquired intangibles	8	(59 099)	(118 488)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	3 253	4 070
Profit after taxation		**581 653**	**522 996**
Profit attributable to other non-controlling interests		(52 288)	(60 239)
Profit attributable to Asset Management non-controlling interests		(23 817)	(20 291)
Earnings attributable to shareholders		**505 548**	**442 466**
Earnings per share (pence)			
– Basic	9	51.2	50.8
– Diluted	9	49.8	48.8

Combined consolidated statement of comprehensive income

£'000	Notes	Year to 31 March 2018	Year to 31 March 2017
Profit after taxation		581 653	522 996
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(5 746)	53 324
Gains on realisation of available-for-sale assets recycled to the income statement	8	(6 676)	(7 781)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	20 051	54 863
Foreign currency adjustments on translating foreign operations		(25 300)	540 534
Items that will never be reclassified to the income statement			
Re-measurement of net defined benefit pension asset	8	3 938	(43 580)
Total comprehensive income		**567 920**	**1 120 356**
Total comprehensive income attributable to ordinary shareholders		451 913	892 201
Total comprehensive income attributable to non-controlling interests		83 027	202 497
Total comprehensive income attributable to perpetual preferred securities		32 980	25 658
Total comprehensive income		**567 920**	**1 120 356**

Combined consolidated balance sheet

At £'000	Notes	31 March 2018	31 March 2017
Assets			
Cash and balances at central banks	17	4 040 512	3 351 702
Loans and advances to banks	18	2 165 533	3 191 041
Non-sovereign and non-bank cash placements		601 243	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	19	2 207 477	2 358 970
Sovereign debt securities	20	4 910 027	3 804 627
Bank debt securities	21	587 164	639 189
Other debt securities	22	903 603	1 115 558
Derivative financial instruments	23	1 352 408	1 185 848
Securities arising from trading activities	24	1 434 391	1 376 668
Investment portfolio	25	885 499	835 899
Loans and advances to customers	26	24 673 009	22 189 975
Own originated loans and advances to customers securitised	27	459 088	517 162
Other loans and advances	26	347 809	355 248
Other securitised assets	27	148 387	148 964
Interests in associated undertakings	28	467 852	392 213
Deferred taxation assets	29	157 321	133 972
Other assets	30	1 876 116	1 900 480
Property and equipment	31	233 340	105 939
Investment properties	32	1 184 097	1 128 930
Goodwill	33	368 803	367 579
Intangible assets	34	125 389	143 261
Non-current assets held for sale		–	27 218
		49 129 068	**45 806 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	8 487 776	7 728 130
		57 616 844	**53 534 832**
Liabilities			
Deposits by banks		2 931 267	2 736 066
Derivative financial instruments	23	1 471 563	1 296 206
Other trading liabilities	37	960 166	978 911
Repurchase agreements and cash collateral on securities lent	19	655 840	690 615
Customer accounts (deposits)		30 987 173	29 109 428
Debt securities in issue	38	2 717 187	2 386 180
Liabilities arising on securitisation of own originated loans and advances	27	136 812	90 125
Liabilities arising on securitisation of other assets	27	127 853	128 838
Current taxation liabilities		185 486	227 828
Deferred taxation liabilities	29	32 158	40 408
Other liabilities	39	2 012 268	1 910 830
		42 217 773	**39 595 435**
Liabilities to customers under investment contracts	36	8 484 296	7 725 604
Insurance liabilities, including unit-linked liabilities	36	3 480	2 526
		50 705 549	**47 323 565**
Subordinated liabilities	41	1 482 987	1 402 638
		52 188 536	**48 726 203**
Equity			
Ordinary share capital	42	240	237
Perpetual preference share capital	43	31	31
Share premium	44	2 416 736	2 341 228
Treasury shares	45	(160 132)	(126 879)
Other reserves		(345 606)	(310 275)
Retained income		2 530 825	2 226 751
Shareholders' equity excluding non-controlling interests		**4 442 094**	**4 131 093**
Other Additional Tier 1 securities in issue	46	304 150	32 798
Non-controlling interests	47	682 064	644 738
– Perpetual preferred securities issued by subsidiaries		92 312	91 492
– Non controlling interests in partially held subsidiaries		589 752	553 246
Total equity		**5 428 308**	**4 808 629**
Total liabilities and equity		**57 616 844**	**53 534 832**

Combined consolidated cash flow statement

£'000	Notes	Year to 31 March 2018	Year to 31 March 2017
Profit before taxation adjusted for non-cash and non-operating items	49	859 745	835 216
Taxation paid		(127 503)	(126 406)
Increase in operating assets	49	(3 352 869)	(445 528)
Increase in operating liabilities	49	3 075 779	498 146
Net cash inflow from operating activities		**455 152**	**761 428**
Cash outflow on acquisition of group operations	35	(6 888)	(14 648)
Cash flow on net acquisition of associates		(13 643)	(8 848)
Cash flow on acquisition of property, equipment and intangible assets		(24 604)	(37 748)
Cash flow on disposal of property, equipment and intangible assets		7 336	1 629
Net cash outflow from investing activities		**(37 799)**	**(59 615)**
Dividends paid to ordinary shareholders		(227 908)	(216 602)
Dividends paid to other equity holders		(96 668)	(73 853)
Redemption of perpetual preference shares		–	(81 743)
Proceeds on issue of shares, net of related costs		125 240	228 086
Proceeds on issue of Other Additional Tier 1 securities		271 058	–
Cash flow on acquisition of treasury shares, net of related costs		(121 933)	(112 345)
Proceeds on issue of other equity instruments*		32 752	29 542
Proceeds from subordinated debt raised	41	190 940	432 919
Repayment of subordinated debt	41	(128 098)	(168 481)
Net cash inflow from financing activities		**45 383**	**37 523**
Effects of exchange rates on cash and cash equivalents		**(54 085)**	**332 092**
Net increase in cash and cash equivalents		**408 651**	**1 071 428**
Cash and cash equivalents at the beginning of the year		5 721 728	4 650 300
Cash and cash equivalents at the end of the year		**6 130 379**	**5 721 728**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		4 040 512	3 351 702
On demand loans and advances to banks		1 488 624	1 833 767
Non-sovereign and non-bank cash placements		601 243	536 259
Cash and cash equivalents at the end of the year		**6 130 379**	**5 721 728**

* *Includes equity instruments issued by subsidiaries and transactions with non-controlling interests.*

Cash and cash equivalents have a maturity profile of less than three months.

Combined consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2016	**228**	**153**	**2 239 364**	**(125 717)**
Movement in reserves 1 April 2016 – 31 March 2017				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	39 159	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**39 159**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	9	–	228 077	–
Repurchase of perpetual preference shares	–	(122)	(122 048)	–
Issue of equity by subsidiaries	–	–	–	–
Net equity impact of non-controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	(40 812)	(71 533)
Transfer from share premium	–	–	(2 512)	–
Transfer to regulatory general risk reserve and other equity movements	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	70 371
At 31 March 2017	**237**	**31**	**2 341 228**	**(126 879)**
Movement in reserves 1 April 2017 – 31 March 2018				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on realisation of available for sale assets recycled through the income statement	–	–	–	–
Fair value movements on available for sale assets	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	1 701	–
Pension fund actuarial losses	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**1 701**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	3	–	125 237	–
Issue of Other Additional Tier 1 security instruments	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–
Net equity impact of non-controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	(51 430)	(70 503)
Transfer from capital reserve account	–	–	–	–
Transfer from regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	37 250
At 31 March 2018	**240**	**31**	**2 416 736**	**(160 132)**

Combined consolidated statement of changes in equity

(continued)

Other reserves									
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
10 973	**(34 879)**	**39 078**	**(108 475)**	**(690 748)**	**2 030 310**	**3 360 287**	**26 031**	**472 989**	**3 859 307**
–	–	–	–	–	442 466	442 466	–	80 530	522 996
–	–	–	53 324	–	–	53 324	–	–	53 324
–	(7 781)	–	–	–	–	(7 781)	–	–	(7 781)
–	54 863	–	–	–	–	54 863	–	–	54 863
–	–	–	260	372 381	–	411 800	6 767	121 967	540 534
–	–	–	–	–	(43 580)	(43 580)	–	–	(43 580)
–	**47 082**	**–**	**53 584**	**372 381**	**398 886**	**911 092**	**6 767**	**202 497**	**1 120 356**
–	–	–	–	–	55 961	55 961	–	–	55 961
–	–	–	–	–	(216 602)	(216 602)	–	–	(216 602)
–	–	–	–	–	(25 658)	(25 658)	3 486	6 893	(15 279)
–	–	–	–	–	–	–	(3 486)	(6 893)	(10 379)
–	–	–	–	–	–	–	–	(48 195)	(48 195)
–	–	–	–	–	–	228 086	–	–	228 086
–	–	–	–	–	40 427	(81 743)	–	–	(81 743)
–	–	–	–	–	507	507	–	16 535	17 042
–	–	–	–	–	11 588	11 588	–	912	12 500
–	–	–	–	–	–	(112 345)	–	–	(112 345)
–	–	–	–	–	2 512	–	–	–	–
–	–	729	–	–	(809)	(80)	–	–	(80)
–	–	–	–	–	(70 371)	–	–	–	–
10 973	**12 203**	**39 807**	**(54 891)**	**(318 367)**	**2 226 751**	**4 131 093**	**32 798**	**644 738**	**4 808 629**
–	–	–	–	–	505 548	505 548	–	76 105	581 653
–	–	–	(5 746)	–	–	(5 746)	–	–	(5 746)
–	(6 676)	–	–	–	–	(6 676)	–	–	(6 676)
–	20 051	–	–	–	–	20 051	–	–	20 051
–	–	56	–	(34 273)	–	(32 516)	294	6 922	(25 300)
–	–	–	–	–	3 938	3 938	–	–	3 938
–	**13 375**	**56**	**(5 746)**	**(34 273)**	**509 486**	**484 599**	**294**	**83 027**	**567 920**
–	–	–	–	–	69 218	69 218	–	–	69 218
–	–	–	–	–	(227 908)	(227 908)	–	–	(227 908)
–	–	–	–	–	(32 980)	(32 980)	9 335	7 909	(15 736)
–	–	–	–	–	–	–	(9 335)	(7 909)	(17 244)
–	–	–	–	–	–	–	–	(63 688)	(63 688)
–	–	–	–	–	–	125 240	–	–	125 240
–	–	–	–	–	–	–	271 058	–	271 058
–	–	–	–	–	–	–	–	12 695	12 695
–	–	–	–	–	14 765	14 765	–	5 292	20 057
–	–	–	–	–	–	(121 933)	–	–	(121 933)
(526)	–	–	–	(6 222)	6 748	–	–	–	–
–	–	(1 995)	–	–	1 995	–	–	–	–
–	–	–	–	–	(37 250)	–	–	–	–
10 447	**25 578**	**37 868**	**(60 637)**	**(358 862)**	**2 530 825**	**4 442 094**	**304 150**	**682 064**	**5 428 308**

Accounting policies

Basis of presentation

The group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2018, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards.

The group annual financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or, subject to hedge accounting and liabilities for pension fund surpluses and deficits that have been measured at fair value.

The accounting policies adopted by the group are consistent with the prior year. Standards which became effective during the year did not have an impact on the group.

Presentation of information

Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report in the Investec 2018 integrated annual report.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 119 to 179.

Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed company (DLC) structure (group). The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between Investec and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The group also holds investments, in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the combined consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains or losses within the group, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Audit conclusion

These abridge annual financial statements have been extracted from the audited annual financial statements on which Ernst & Young LLP and Ernst & Young Inc. have issued an unmodified audit report. The auditors report on the annual combined consolidated and separate annual financial statements is available for inspection at the companies registered office.

Combined consolidated segmental analysis

Segmental business analysis – income statement

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
2018					
Net interest income	5 471	10 744	744 183	–	760 398
Net fee and commission income	537 134	382 463	441 610	–	1 361 207
Investment income/(loss)	(15)	10 551	119 512	–	130 048
Share of post taxation profit of associates	–	416	46 407	–	46 823
Trading income/(loss) arising from					
– customer flow	–	537	137 689	–	138 226
– balance sheet management and other trading activities	(5 077)	(150)	920	–	(4 307)
Other operating income	2 165	236	8 714	–	11 115
Total operating income before impairment on loans and advances	**539 678**	**404 797**	**1 499 035**	**–**	**2 443 510**
Impairment losses on loans and advances	–	–	(148 556)	–	(148 556)
Operating income	**539 678**	**404 797**	**1 350 479**	**–**	**2 294 954**
Operating costs	(361 633)	(306 232)	(915 277)	(49 598)	(1 632 740)
Depreciation on operating leased assets	–	–	(2 421)	–	(2 421)
Operating profit/(loss) before goodwill and acquired intangibles	**178 045**	**98 565**	**432 781**	**(49 598)**	**659 793**
Profit attributable to other non-controlling interests	–	–	(52 288)	–	(52 288)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**178 045**	**98 565**	**380 493**	**(49 598)**	**607 505**
Profit attributable to Asset Management non-controlling interests	(23 817)	–	–	–	(23 817)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**154 228**	**98 565**	**380 493**	**(49 598)**	**583 688**
Selected returns and key statistics					
ROE (pre-tax)*	91.0%	38.7%	10.2%	n/a	13.5%
Return on tangible equity (pre-tax)*	167.4%	162.7%	10.3%	n/a	15.3%
Cost to income ratio	67.0%	75.7%	61.2%	n/a	66.9%
Staff compensation to operating income	46.3%	53.7%	45.1%	n/a	47.5%
Operating profit per employee (£'000)	109.7	56.0	58.1	n/a	61.2
Total assets (£'million)	662	1 871	55 084	n/a	57 617

* *Refer to calculation on page 58.*

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Segmental business analysis – income statement					
2017					
Net interest income	5 118	11 968	662 809	–	679 895
Net fee and commission income	484 872	343 708	442 944	–	1 271 524
Investment income	143	2 269	133 791	–	136 203
Share of post taxation profit of associates	–	1 509	17 381	–	18 890
Trading income arising from					
– customer flow	–	1 028	156 973	–	158 001
– balance sheet management and other trading activities	2 213	87	5 918	–	8 218
Other operating income	5 644	–	7 839	–	13 483
Total operating income before impairment on loans and advances	**497 990**	**360 569**	**1 427 655**	**–**	**2 286 214**
Impairment losses on loans and advances	–	–	(111 454)	–	(111 454)
Operating income	**497 990**	**360 569**	**1 316 201**	**–**	**2 174 760**
Operating costs	(333 166)	(267 326)	(863 963)	(48 776)	(1 513 231)
Depreciation on operating leased assets	–	–	(2 169)	–	(2 169)
Operating profit/(loss) before goodwill, acquired intangibles	**164 824**	**93 243**	**450 069**	**(48 776)**	**659 360**
Profit attributable to other non-controlling interests	–	–	(60 239)	–	(60 239)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**164 824**	**93 243**	**389 830**	**(48 776)**	**599 121**
Profit attributable to Asset Management non-controlling interests	(20 291)	–	–	–	(20 291)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**144 533**	**93 243**	**389 830**	**(48 776)**	**578 830**
Selected returns and key statistics					
ROE (pre-tax)*	90.7%	35.7%	12.8%	n/a	15.9%
Return on tangible equity (pre-tax)*	179.6%	173.0%	13.0%	n/a	18.5%
Cost to income ratio	66.9%	74.1%	60.6%	n/a	66.3%
Staff compensation to operating income	46.8%	54.0%	43.9%	n/a	46.1%
Operating profit per employee (£'000)	103.1	56.6	63.8	n/a	64.1
Total assets (£'million)	638	1 886	51 011	n/a	53 535

* *Refer to calculation on page 58.*

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2018			
Segmental geographic analysis – income statement			
Net interest income	337 580	422 818	760 398
Net fee and commission income	849 934	511 273	1 361 207
Investment income	68 515	61 533	130 048
Share of post taxation profit of associates	1 436	45 387	46 823
Trading income/(loss) arising from			
– customer flow	114 402	23 824	138 226
– balance sheet management and other trading activities	(2 069)	(2 238)	(4 307)
Other operating income	10 421	694	11 115
Total operating income before impairment on loans and advances	**1 380 219**	**1 063 291**	**2 443 510**
Impairment losses on loans and advances	(106 085)	(42 471)	(148 556)
Operating income	**1 274 134**	**1 020 820**	**2 294 954**
Operating costs	(1 074 112)	(558 628)	(1 632 740)
Depreciation on operating leased assets	(2 350)	(71)	(2 421)
Operating profit before goodwill and acquired intangibles	**197 672**	**462 121**	**659 793**
(Profit)/loss attributable to other non-controlling interests	1 684	(53 972)	(52 288)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**199 356**	**408 149**	**607 505**
Profit attributable to Asset Management non-controlling interests	(14 763)	(9 054)	(23 817)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**184 593**	**399 095**	**583 688**
Amortisation of acquired intangibles	(13 273)	(2 982)	(16 255)
Additional costs on acquisition of subsidiary	–	(6 039)	(6 039)
Earnings attributable to shareholders before taxation	**171 320**	**390 074**	**561 394**
Taxation on operating profit before goodwill	(38 509)	(20 590)	(59 099)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	2 418	835	3 253
Earnings attributable to shareholders	**135 229**	**370 319**	**505 548**
Selected returns and key statistics			
ROE (post-tax)*	6.9%	17.2%	12.1%
Return on tangible equity (post-tax)*	8.9%	17.4%	13.7%
Cost to income ratio	78.0%	52.5%	66.9%
Staff compensation to operating income	55.1%	37.6%	47.5%
Operating profit per employee (£'000)	46.2	72.7	61.2
Effective operational tax rate	19.6%	4.9%	9.6%
Total assets (£'million)	20 547	37 070	57 617

* *Refer to calculation on page 57.*

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2017			
Segmental geographic analysis – income statement			
Net interest income	289 180	390 715	679 895
Net fee and commission income	803 863	467 661	1 271 524
Investment income	59 975	76 228	136 203
Share of post taxation profit of associates	2 349	16 541	18 890
Trading income arising from			
– customer flow	129 707	28 294	158 001
– balance sheet management and other trading activities	8 671	(453)	8 218
Other operating income	13 195	288	13 483
Total operating income before impairment on loans and advances	**1 306 940**	**979 274**	**2 286 214**
Impairment losses on loans and advances	(74 956)	(36 498)	(111 454)
Operating income	**1 231 984**	**942 776**	**2 174 760**
Operating costs	(1 005 130)	(508 101)	(1 513 231)
Depreciation on operating leased assets	(2 141)	(28)	(2 169)
Operating profit before goodwill and acquired intangibles	**224 713**	**434 647**	**659 360**
(Profit)/loss attributable to other non-controlling interests	180	(60 419)	(60 239)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**224 893**	**374 228**	**599 121**
Profit attributable to Asset Management non-controlling interests	(11 807)	(8 484)	(20 291)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**213 086**	**365 744**	**578 830**
Impairment of goodwill	(3 134)	(1 615)	(4 749)
Amortisation of acquired intangibles	(14 386)	(2 811)	(17 197)
Earnings attributable to shareholders before taxation	**195 566**	**361 318**	**556 884**
Taxation on operating profit before goodwill	(39 144)	(79 344)	(118 488)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	3 305	765	4 070
Earnings attributable to shareholders	**159 727**	**282 739**	**442 466**
Selected returns and key statistics			
ROE (post-tax)*	9.4%	16.0%	12.5%
Return on tangible equity (post-tax)*	12.5%	16.3%	14.5%
Cost to income ratio	77.0%	51.9%	66.3%
Staff compensation to operating income	54.4%	35.1%	46.1%
Operating profit per employee (£'000)	56.0	70.3	64.1
Effective operational tax rate	17.6%	19.0%	18.5%
Total assets (£'million)	18 652	34 883	53 535

* *Refer to calculation on page 57.*

Combined consolidated segmental analysis *(continued)*

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

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2018			
Asset Management	103 918	74 127	178 045
Wealth & Investment	69 269	29 296	98 565
Specialist Banking	59 958	320 535	380 493
	233 145	**423 958**	**657 103**
Group costs	(33 789)	(15 809)	(49 598)
Total group	**199 356**	**408 149**	**607 505**
Other non-controlling interest – equity			52 288
Operating profit			**659 793**
2017			
Asset Management	91 262	73 562	164 824
Wealth & Investment	65 190	28 053	93 243
Specialist Banking	104 604	285 226	389 830
	261 056	**386 841**	**647 897**
Group costs	(36 163)	(12 613)	(48 776)
Total group	**224 893**	**374 228**	**599 121**
Other non-controlling interest – equity			60 239
Operating profit			**659 360**

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2018			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	3 487 769	552 743	4 040 512
Loans and advances to banks	985 069	1 180 464	2 165 533
Non-sovereign and non-bank cash placements	–	601 243	601 243
Reverse repurchase agreements and cash collateral on securities borrowed	750 428	1 457 049	2 207 477
Sovereign debt securities	1 155 472	3 754 555	4 910 027
Bank debt securities	107 938	479 226	587 164
Other debt securities	278 474	625 129	903 603
Derivative financial instruments	596 506	755 902	1 352 408
Securities arising from trading activities	694 974	739 417	1 434 391
Investment portfolio	477 919	407 580	885 499
Loans and advances to customers	9 687 224	14 985 785	24 673 009
Own originated loans and advances to customers securitised	–	459 088	459 088
Other loans and advances	331 842	15 967	347 809
Other securitised assets	130 388	17 999	148 387
Interests in associated undertakings	77 059	390 793	467 852
Deferred taxation assets	98 156	59 165	157 321
Other assets	1 161 631	714 485	1 876 116
Property and equipment	54 493	178 847	233 340
Investment properties	14 500	1 169 597	1 184 097
Goodwill	356 265	12 538	368 803
Intangible assets	100 585	24 804	125 389
	20 546 692	**28 582 376**	**49 129 068**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	8 487 776	8 487 776
	20 546 692	**37 070 152**	**57 616 844**
Liabilities			
Deposits by banks	1 259 073	1 672 194	2 931 267
Derivative financial instruments	514 499	957 064	1 471 563
Other trading liabilities	103 496	856 670	960 166
Repurchase agreements and cash collateral on securities lent	150 757	505 083	655 840
Customer accounts (deposits)	11 624 157	19 363 016	30 987 173
Debt securities in issue	2 303 027	414 160	2 717 187
Liabilities arising on securitisation of own originated loans and advances	–	136 812	136 812
Liabilities arising on securitisation of other assets	127 853	–	127 853
Current taxation liabilities	152 355	33 131	185 486
Deferred taxation liabilities	21 892	10 266	32 158
Other liabilities	1 270 738	741 530	2 012 268
	17 527 847	**24 689 926**	**42 217 773**
Liabilities to customers under investment contracts	–	8 484 296	8 484 296
Insurance liabilities, including unit-linked liabilities	–	3 480	3 480
	17 527 847	**33 177 702**	**50 705 549**
Subordinated liabilities	579 673	903 314	1 482 987
	18 107 520	**34 081 016**	**52 188 536**

Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2017			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 853 570	498 132	3 351 702
Loans and advances to banks	1 102 353	2 088 688	3 191 041
Non-sovereign and non-bank cash placements	–	536 259	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	536 173	1 822 797	2 358 970
Sovereign debt securities	952 902	2 851 725	3 804 627
Bank debt securities	176 559	462 630	639 189
Other debt securities	398 278	717 280	1 115 558
Derivative financial instruments	598 959	586 889	1 185 848
Securities arising from trading activities	522 759	853 909	1 376 668
Investment portfolio	459 745	376 154	835 899
Loans and advances to customers	8 620 742	13 569 233	22 189 975
Own originated loans and advances to customers securitised	–	517 162	517 162
Other loans and advances	336 781	18 467	355 248
Other securitised assets	138 628	10 336	148 964
Interests in associated undertakings	63 390	328 823	392 213
Deferred taxation assets	89 941	44 031	133 972
Other assets	1 258 317	642 163	1 900 480
Property and equipment	60 528	45 411	105 939
Investment properties	14 500	1 114 430	1 128 930
Goodwill	355 155	12 424	367 579
Intangible assets	112 943	30 318	143 261
Non-current assets held for sale	–	27 218	27 218
	18 652 223	**27 154 479**	**45 806 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	7 728 130	7 728 130
	18 652 223	**34 882 609**	**53 534 832**
Liabilities			
Deposits by banks	623 144	2 112 922	2 736 066
Derivative financial instruments	547 322	748 884	1 296 206
Other trading liabilities	136 041	842 870	978 911
Repurchase agreements and cash collateral on securities lent	223 998	466 617	690 615
Customer accounts (deposits)	11 012 809	18 096 619	29 109 428
Debt securities in issue	1 861 341	524 839	2 386 180
Liabilities arising on securitisation of own originated loans and advances	–	90 125	90 125
Liabilities arising on securitisation of other assets	128 838	–	128 838
Current taxation liabilities	143 585	84 243	227 828
Deferred taxation liabilities	26 236	14 172	40 408
Other liabilities	1 258 189	652 641	1 910 830
	15 961 503	**23 633 932**	**39 595 435**
Liabilities to customers under investment contracts	–	7 725 604	7 725 604
Insurance liabilities, including unit-linked liabilities	–	2 526	2 526
	15 961 503	**31 362 062**	**47 323 565**
Subordinated liabilities	579 356	823 282	1 402 638
	16 540 859	**32 185 344**	**48 726 203**

Combined consolidated segmental analysis *(continued)*

Segmental business and geographic analysis – income statement

For the year to 31 March £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
2018						
Net interest income	242	5 229	5 471	5 181	5 563	10 744
Net fee and commission income	355 230	181 904	537 134	296 907	85 556	382 463
Investment income/(loss)	(47)	32	(15)	10 446	105	10 551
Share of post taxation profit of associates	–	–	–	415	1	416
Trading income/(loss) arising from						
– customer flow	–	–	–	1 032	(495)	537
– balance sheet management and other trading activities	(5 189)	112	(5 077)	(7)	(143)	(150)
Other operating income	2 131	34	2 165	235	1	236
Total operating income before impairment losses on loans and advances	**352 367**	**187 311**	**539 678**	**314 209**	**90 588**	**404 797**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**352 367**	**187 311**	**539 678**	**314 209**	**90 588**	**404 797**
Operating costs	(248 449)	(113 184)	(361 633)	(244 940)	(61 292)	(306 232)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**103 918**	**74 127**	**178 045**	**69 269**	**29 296**	**98 565**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**103 918**	**74 127**	**178 045**	**69 269**	**29 296**	**98 565**
Profit attributable to Asset Management non-controlling interests	(14 763)	(9 054)	(23 817)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**89 155**	**65 073**	**154 228**	**69 269**	**29 296**	**98 565**
Selected returns and key statistics						
Cost to income ratio	70.5%	60.4%	67.0%	78.0%	67.7%	75.7%
Staff compensation to operating income	52.1%	35.4%	46.3%	56.5%	43.8%	53.7%

Specialist Banking			Group costs			
UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
332 157	412 026	744 183	–	–	–	760 398
197 797	243 813	441 610	–	–	–	1 361 207
58 116	61 396	119 512	–	–	–	130 048
1 021	45 386	46 407	–	–	–	46 823
					–	
113 370	24 319	137 689	–	–	–	138 226
3 127	(2 207)	920	–	–	–	(4 307)
8 055	659	8 714	–	–	–	11 115
713 643	**785 392**	**1 499 035**	**–**	**–**	**–**	**2 443 510**
(106 085)	(42 471)	(148 556)	–	–	–	(148 556)
607 558	**742 921**	**1 350 479**	**–**	**–**	**–**	**2 294 954**
(546 934)	(368 343)	(915 277)	(33 789)	(15 809)	(49 598)	(1 632 740)
(2 350)	(71)	(2 421)	–	–	–	(2 421)
58 274	**374 507**	**432 781**	**(33 789)**	**(15 809)**	**(49 598)**	**659 793**
1 684	(53 972)	(52 288)	–	–	–	(52 288)
59 958	**320 535**	**380 493**	**(33 789)**	**(15 809)**	**(49 598)**	**607 505**
–	–	–	–	–	–	(23 817)
59 958	**320 535**	**380 493**	**(33 789)**	**(15 809)**	**(49 598)**	**583 688**
76.9%	46.9%	61.2%	n/a	n/a	n/a	66.9%
53.7%	37.4%	45.1%	n/a	n/a	n/a	47.5%

Share-based payments

The group operates share option and long-term share incentive plans for employees, which are on an equity-settled basis. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans is provided in the remuneration report on page 171 and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Share-based payment expense					
2018					
Equity-settled	2 036	8 451	56 340	7 934	74 761
Total income statement charge	**2 036**	**8 451**	**56 340**	**7 934**	**74 761**
2017					
Equity-settled	2 988	7 211	47 018	4 619	61 836
Total income statement charge	**2 988**	**7 211**	**47 018**	**4 619**	**61 836**

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £8.3 million (2017: £nil).

For the year to 31 March £'000	2018	2017
Weighted average fair value of options granted in the year		
UK schemes	42 444	29 213
South African schemes	39 734	31 806

	UK schemes				South African schemes			
	2018		2017		2018		2017	
Details of options outstanding during the year	**Number of share options**	**Weighted average exercise price £**	**Number of share options**	**Weighted average exercise price £**	**Number of share options**	**Weighted average exercise price £**	**Number of share options**	**Weighted average exercise price £**
Outstanding at the beginning of the year	25 991 607	0.06	28 760 479	0.07	35 944 931	–	37 773 545	–
Granted during the year	7 684 921	0.07	6 501 494	0.01	7 087 012	–	6 527 507	–
Exercised during the year^	(10 566 097)	0.04	(8 239 897)	0.03	(14 784 164)	–	(7 328 694)	–
Expired during the year	–	–	–	–	(1 431 562)	–	(1 027 427)	–
Options forfeited during the year	(644 643)	0.22	(1 030 469)	0.30	–	–	–	–
Outstanding at the end of the year	**22 465 788**	**0.07**	**25 991 607**	**0.06**	**26 816 217**	**–**	**35 944 931**	**–**
Vested and exercisable at the end of the year	**160 252**	**–**	**12 250**	**–**	**359 963**	**–**	**9 413**	**–**

^ *The weighted average share price for options exercised during the year was £5.64 (2017: £5.09) for the UK schemes and R96.49 (2017: R94.43) for the South African schemes.*

Share-based payments

(continued)

	UK schemes		South African schemes	
	2018	**2017**	**2018**	**2017**
Additional information relating to options				
Options with strike prices				
Exercise price range	£4.31 – £6.00	£3.29 – £6.00	n/a	n/a
Weighted average remaining contractual life	1.75 years	1.72 years	n/a	n/a
Long-term incentive grants with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	1.94 years	1.72 years	1.84 years	1.76 Years
Weighted average fair value of options and long-term grants at measurement date	£5.52	£4.49	R96.61	R98.30
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£5.03– £5.87	£4.36 – £5.20	R94.94 – R97.45	R89.97 – R105.30
– Exercise price	£nil, £5.03 – £5.87	£nil, £4.36 – £5.20	Rnil	Rnil
– Expected volatility	27.44% – 28.54%	30%	n/a	n/a
– Option life	1.5 years – 7 years	2.5 – 5 years	4.75 years	4.5 – 5 years
– Expected dividend yields	5.59% – 6.56%	5.90% – 6.75%	n/a	n/a
– Risk-free rate	0.62% – 0.99%	0.82% – 1.44%	n/a	n/a

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

	31 March 2018	31 March 2017
Earnings per share		
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	505 548	442 466
Preference dividends paid	(32 980)	(25 658)
Gain on redemption of preference shares	–	40 427
Earnings and diluted earnings attributable to ordinary shareholders	**472 568**	**457 235**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	973 676 967	947 161 346
Weighted average number of treasury shares	(50 193 338)	(46 715 508)
Weighted average number of shares in issue during the year	923 483 629	900 445 838
Weighted average number of shares resulting from future dilutive potential-shares	25 800 034	36 895 311
Adjusted weighted number of shares potentially in issue	**949 283 663**	**937 341 149**
Earnings per share – pence		
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.	**51.2**	**50.8**
Diluted earnings per share – pence		
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.	**49.8**	**48.8**
Adjusted earnings per share – pence		
Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year.	**53.2**	**48.3**
	£'000	**£'000**
Earnings attributable to shareholders	505 548	442 466
Impairment of goodwill	–	4 749
Amortisation of acquired intangibles	16 255	17 197
Additional costs on acquisition of subsidiary	6 039	–
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(3 253)	(4 070)
Preference dividends paid	(32 980)	(25 658)
Accrual adjustment on earnings attributable to other equity holders*	(547)	(180)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**491 062**	**434 504**

* *In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.*

	31 March 2018	31 March 2017
Earnings per share *(continued)*		
Headline earnings per share – pence		
Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listing Requirements, and in terms of circular 2/2015 issued by the South African Institute of Chartered Accountants	**48.7**	**48.2**
	£'000	**£'000**
Earnings attributable to shareholders	505 548	442 466
Impairment of goodwill	–	4 749
Preference dividends paid	(32 980)	(25 658)
Gain on redemption of preference shares	–	40 427
Property revaluation, net of taxation and non-controlling interests**	(15 409)	(21 777)
Gains on available-for-sale instruments recycled through the income statement**	(6 676)	(7 781)
Loss on non-current assets held for sale**	–	1 999
Profit on realisation of associate	(836)	–
Headline earnings attributable to ordinary shareholders**	**449 647**	**434 425**

** *Taxation on headline earnings adjustments amounted to £5.3 million (2017: £7.4 million) with an impact of £20.9 million (2017: £26.6 million) on earnings attributable to non-controlling interests.*

	2018		2017	
For the year to 31 March	Pence per share	Total £'000	Pence per share	Total £'000
Dividends				
Ordinary dividend				
Final dividend for prior year	13.0	123 230	11.5	123 341
Interim dividend for current year	10.5	104 678	10.0	93 261
Total dividend attributable to ordinary shareholders recognised in current financial year	**23.5**	**227 908**	**21.5**	**216 602**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2018 of 13.5 pence per ordinary share (31 March 2017: 13.0 pence).
This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 232 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 13.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 6.5 pence per ordinary share and through a dividend payment by Investec Limited on the SA DAS share of 7.0 pence per ordinary share.

The final dividend to shareholders registered on 27 July 2018 is subject to the approval of the members of Investec plc and Investec Limited at the annual general meeting which is scheduled to take place on 8 August 2018 and, if approved, will be paid on 13 August 2018.

For the year to 31 March £'000	2018	2017
Perpetual preference dividend		
Final dividend for prior year	12 246	10 403
Interim dividend for current year	11 399	11 769
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**23 645**	**22 172**

* *Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.*

The directors have declared a final dividend in respect of the financial year ended 31 March 2018 of 7.26027 pence (Investec plc shares traded on the JSE Limited) and 7.26027 pence (Investec plc shares traded on the International Stock Exchange), 485.34589 cents (Investec plc Rand-denominated shares), 397.31947 cents (Investec Limited) and 425.72498 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 8 June 2018.

Dividends attributable to Additional Tier 1 securities in issue	**9 335**	**3 486**

The R550 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25% on a quarterly basis as set out in note 46.
The £250 000 000 Other Additional Tier 1 fixed rate securities pay a distribution at a rate of 6.75% as set out in note 46.

Total perpetual preference dividends and Other Additional Tier 1 securities distributions	**32 980**	**25 658**

Analysis of financial assets and liabilities by category of financial instruments

	At fair value through profit or loss			
	Trading	Designated at inception	Available-for-sale	Total instruments at fair value
2018				
Assets				
Cash and balances at central banks	7 784	–	–	7 784
Loans and advances to banks	–	236 077	–	236 077
Non-sovereign and non-bank cash placements	34 544	–	–	34 544
Reverse repurchase agreements and cash collateral on securities borrowed	787 905	–	–	787 905
Sovereign debt securities	165 090	2 469 826	2 066 727	4 701 643
Bank debt securities	–	–	369 172	369 172
Other debt securities	–	63 400	566 880	630 280
Derivative financial instruments*	1 352 408	–	–	1 352 408
Securities arising from trading activities	983 751	450 640	–	1 434 391
Investment portfolio	–	849 490	36 009	885 499
Loans and advances to customers	–	1 171 628	–	1 171 628
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	130 388	–	130 388
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	114 211	76 529	–	190 740
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	3 445 693	**5 447 978**	**3 038 788**	**11 932 459**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 445 693	**5 447 978**	**3 038 788**	**11 932 459**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 471 563	–	–	1 471 563
Other trading liabilities	960 166	–	–	960 166
Repurchase agreements and cash collateral on securities lent	90 049	–	–	90 049
Customer accounts (deposits)	–	2 375 704	–	2 375 704
Debt securities in issue	–	471 886	–	471 886
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	127 853	–	127 853
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	17 533	–		17 533
	2 539 311	**2 975 443**	**–**	**5 514 754**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 539 311	**2 975 443**	**–**	**5 514 754**
Subordinated liabilities	–	–	–	–
	2 539 311	**2 975 443**	**–**	**5 514 754**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related linked instruments at fair value	Non-financial instruments or scoped out of IAS 39	Total
–	4 032 728	–	4 032 728	–	–	4 040 512
–	1 929 456	–	1 929 456	–	–	2 165 533
–	566 699	–	566 699	–	–	601 243
–	1 419 572	–	1 419 572	–	–	2 207 477
208 384	–	–	208 384	–	–	4 910 027
80 199	137 793	–	217 992	–	–	587 164
5 055	268 268	–	273 323	–	–	903 603
–	–	–	–	–	–	1 352 408
–	–	–	–	–	–	1 434 391
–	–	–	–	–	–	885 499
–	23 501 381	–	23 501 381	–	–	24 673 009
–	459 088	–	459 088	–	–	459 088
–	347 809	–	347 809	–	–	347 809
–	17 999	–	17 999	–	–	148 387
–	11 371	–	11 371	–	456 481	467 852
–	–	–	–	–	157 321	157 321
–	1 239 331	–	1 239 331	–	446 045	1 876 116
–	–	–	–	–	233 340	233 340
–	–	–	–	–	1 184 097	1 184 097
–	–	–	–	–	368 803	368 803
–	–	–	–	–	125 389	125 389
293 638	**33 931 495**	**–**	**34 225 133**	**–**	**2 971 476**	**49 129 068**
–	–	–	–	8 487 776	–	8 487 776
293 638	**33 931 495**	**–**	**34 225 133**	**8 487 776**	**2 971 476**	**57 616 844**
–	–	2 931 267	2 931 267	–	–	2 931 267
–	–	–	–	–	–	1 471 563
–	–	–	–	–	–	960 166
–	–	565 791	565 791	–	–	655 840
–	–	28 611 469	28 611 469	–	–	30 987 173
–	–	2 245 301	2 245 301	–	–	2 717 187
–	–	136 812	136 812	–	–	136 812
–	–	–	–	–	–	127 853
–	–	–	–	–	185 486	185 486
–	–	–	–	–	32 158	32 158
		1 245 016	1 245 016		749 719	2 012 268
–	**–**	**35 735 656**	**35 735 656**	**–**	**967 363**	**42 217 773**
–	–	–	–	8 484 296	–	8 484 296
–	–	–	–	3 480	–	3 480
–	**–**	**35 735 656**	**35 735 656**	**8 487 776**	**967 363**	**50 705 549**
–	–	1 482 987	1 482 987	–	–	1 482 987
–	**–**	**37 218 643**	**37 218 643**	**8 487 776**	**967 363**	**52 188 536**

During the year ended 31 March 2009, the group reclassified certain financial instruments out of fair value through profit or loss. These assets were originally classified as held-for-trading but the group's intentions in regard to these assets changed and the group reclassified £112.3 million and £7.8 million to the loans and receivables and available-for-sale classifications, respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification. As the majority of these assets have been written down by the current year end, the group does not deem it material to undertake any further disclosure in the annual financial statements for the current year and the prior year. The carrying value of the assets reclassified is £nil million (2017: £9.2 million) and the fair value is £nil million (2017: £3.5 million).

Analysis of financial assets and liabilities by category of financial instruments
(continued)

	At fair value through profit or loss			
	Trading	Designated at inception	Available-for-sale	Total instruments at fair value
2017				
Assets				
Cash and balances at central banks	2 497	–	–	2 497
Loans and advances to banks	–	200 364	–	200 364
Non-sovereign and non-bank cash placements	10	–	–	10
Reverse repurchase agreements and cash collateral on securities borrowed	1 167 255	–	–	1 167 255
Sovereign debt securities	–	2 298 331	1 307 654	3 605 985
Bank debt securities	–	–	327 888	327 888
Other debt securities	13	111 112	625 933	737 058
Derivative financial instruments*	1 185 848	–	–	1 185 848
Securities arising from trading activities	1 123 200	253 468	–	1 376 668
Investment portfolio	–	782 370	53 529	835 899
Loans and advances to customers	–	921 991	–	921 991
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	138 628	–	138 628
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	217 667	65 545	–	283 212
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets held for sale**	–	27 218	–	27 218
	3 696 490	**4 799 027**	**2 315 004**	**10 810 521**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 696 490	**4 799 027**	**2 315 004**	**10 810 521**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 296 206	–	–	1 296 206
Other trading liabilities	978 911	–	–	978 911
Repurchase agreements and cash collateral on securities lent	137 861	–	–	137 861
Customer accounts (deposits)	–	2 046 340	–	2 046 340
Debt securities in issue	–	640 557	–	640 557
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	128 838	–	128 838
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	43 813	–		43 813
	2 456 791	**2 815 735**	**–**	**5 272 526**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 456 791	**2 815 735**	**–**	**5 272 526**
Subordinated liabilities	–	–	–	–
	2 456 791	**2 815 735**	**–**	**5 272 526**

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

** *Non-current assets held for sale relates to an acquisition of a non-controlling interest in and entity management entered into negotiations to dispose of this interest in the 2017 year.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Financial assets linked to investment contract liabilities	Non-financial instruments or scoped out of IAS 39	Total
–	3 349 205	–	3 349 205	–	–	3 351 702
–	2 990 677	–	2 990 677	–	–	3 191 041
–	536 249	–	536 249	–	–	536 259
–	1 191 715	–	1 191 715	–	–	2 358 970
198 642	–	–	198 642	–	–	3 804 627
104 584	206 717	–	311 301	–	–	639 189
12 309	366 191	–	378 500	–	–	1 115 558
–	–	–	–	–	–	1 185 848
–	–	–	–	–	–	1 376 668
–	–	–	–	–	–	835 899
–	21 267 984	–	21 267 984	–	–	22 189 975
–	517 162	–	517 162	–	–	517 162
–	355 248	–	355 248	–	–	355 248
–	10 336	–	10 336	–	–	148 964
–	–	–	–	–	392 213	392 213
–	–	–	–	–	133 972	133 972
–	1 165 779	–	1 165 779	–	451 489	1 900 480
–	–	–	–	–	105 939	105 939
–	–	–	–	–	1 128 930	1 128 930
–	–	–	–	–	367 579	367 579
–	–	–	–	–	143 261	143 261
–	–	–	–	–	–	27 218
315 535	**31 957 263**	**–**	**32 272 798**	**–**	**2 723 383**	**45 806 702**
–	–	–	–	7 728 130	–	7 728 130
315 535	**31 957 263**	**–**	**32 272 798**	**7 728 130**	**2 723 383**	**53 534 832**
–	–	2 736 066	2 736 066	–	–	2 736 066
–	–	–	–	–	–	1 296 206
–	–	–	–	–	–	978 911
–	–	552 754	552 754	–	–	690 615
–	–	27 063 088	27 063 088	–	–	29 109 428
–	–	1 745 623	1 745 623	–	–	2 386 180
–	–	90 125	90 125	–	–	90 125
–	–	–	–	–	–	128 838
–	–	–	–	–	227 828	227 828
–	–	–	–	–	40 408	40 408
		1 135 721	1 135 721		731 296	1 910 830
–	**–**	**33 323 377**	**33 323 377**	**–**	**999 532**	**39 595 435**
–	–	–	–	7 725 604	–	7 725 604
–	–	–	–	2 526	–	2 526
–	**–**	**33 323 377**	**33 323 377**	**7 728 130**	**999 532**	**47 323 565**
–	–	1 402 638	1 402 638	–	–	1 402 638
–	**–**	**34 726 015**	**34 726 015**	**7 728 130**	**999 532**	**48 726 203**

Financial instruments at fair value

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

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

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

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

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders. These are all classified as level 1.

		Fair value category		
At 30 March £'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
2018				
Assets				
Cash and balances at central banks	7 784	7 784	–	–
Loans and advances to banks	236 077	236 077	–	–
Non-sovereign and non-bank cash placements	34 544	–	34 544	–
Reverse repurchase agreements and cash collateral on securities borrowed	787 905	196 170	591 735	–
Sovereign debt securities	4 701 643	4 701 643	–	–
Bank debt securities	369 172	293 830	75 342	–
Other debt securities	630 280	256 255	357 256	16 769
Derivative financial instruments	1 352 408	–	1 308 208	44 200
Securities arising from trading activities	1 434 391	1 405 197	22 440	6 754
Investment portfolio	885 499	190 395	107 285	587 819
Loans and advances to customers	1 171 628	–	1 037 888	133 740
Other securitised assets	130 388	–	–	130 388
Other assets	190 740	190 740	–	–
	11 932 459	**7 478 091**	**3 534 698**	**919 670**
Liabilities				
Derivative financial instruments	1 471 563	–	1 470 121	1 442
Other trading liabilities	960 166	863 123	97 043	–
Repurchase agreements and cash collateral on securities lent	90 049	–	90 049	–
Customer accounts (deposits)	2 375 704	–	2 375 704	–
Debt securities in issue	471 886	–	457 687	14 199
Liabilities arising on securitisation of other assets	127 853	–	–	127 853
Other liabilities	17 533	–	17 533	–
	5 514 754	**863 123**	**4 508 137**	**143 494**
Net financial assets/(liabilities) at fair value	**6 417 705**	**6 614 968**	**(973 439)**	**776 176**

Financial instruments at fair value *(continued)*

	Total investments at fair value	Fair value category Level 1	Level 2	Level 3
2017				
Assets				
Cash and balances at central banks	2 497	2 497	–	–
Loans and advances to banks	200 364	200 364	–	–
Non-sovereign and non-bank cash placements	10	–	10	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 167 255	176 189	991 066	–
Sovereign debt securities	3 605 985	3 605 985	–	–
Bank debt securities	327 888	245 015	82 873	–
Other debt securities	737 058	385 999	344 628	6 431
Derivative financial instruments	1 185 848	–	1 126 751	59 097
Securities arising from trading activities	1 376 668	1 341 112	26 485	9 071
Investment portfolio	835 899	209 584	39 988	586 327
Loans and advances to customers	921 991	–	835 509	86 482
Other securitised assets	138 628	–	–	138 628
Other assets	283 212	283 212	–	–
Non-current assets held for sale	27 218	–	–	27 218
	10 810 521	**6 449 957**	**3 447 310**	**913 254**
Liabilities				
Derivative financial instruments	1 296 206	1 676	1 293 482	1 048
Other trading liabilities	978 911	900 355	78 556	–
Repurchase agreements and cash collateral on securities lent	137 861	–	137 861	–
Customer accounts (deposits)	2 046 340	–	2 046 340	–
Debt securities in issue	640 557	–	627 875	12 682
Liabilities arising on securitisation of other assets	128 838	–	–	128 838
Other liabilities	43 813	–	43 813	–
	5 272 526	**902 031**	**4 227 927**	**142 568**
Net financial assets/(liabilities) at fair value	**5 537 995**	**5 547 926**	**(780 617)**	**770 686**

Transfers between level 1 and level 2

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

Financial instruments at fair value *(continued)*

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2018 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Yield curves Volatilities
Bank debt securities	Discounted cash flow model	Yield curves NCD curves
Other debt securities	Discounted cash flow model	Yield curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model Adjusted quoted price	Interest rate curves, implied bond spreads, equity volatilities Liquidity adjustment
Investment portfolio	Discounted cash flow model, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves
Customer accounts (deposits)	Discounted cash flow model	Yield curves
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves

Financial instruments at fair value *(continued)*

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

For the year to 31 March £'000	Total level 3 financial instruments
Balance at 1 April 2016	**690 903**
Total gains or losses	74 898
– In the income statement	77 099
– In the statement of comprehensive income	(2 201)
Purchases	170 894
Sales	(167 297)
Issues	(16 226)
Settlements	(51 847)
Transfers into level 3	6 168
Transfers out of level 3	(16 312)
Foreign exchange adjustments	79 505
Balance at 31 March 2017	**770 686**
Total gains or losses	52 226
– In the income statement	49 490
– In the statement of comprehensive income	2 736
Purchases	208 531
Sales	(144 027)
Settlements	(13 790)
Transfers into level 3	7 165
Transfers out of level 3	(73 192)
Foreign exchange adjustments	(31 423)
Balance at 31 March 2018	**776 176**

During the year, £55.3 million has been transferred to level 2 due to an observable input becoming available to the valuation model.

In addition £17.9 million has been transferred to level 2 due to valuation methodologies being reviewed and observable inputs being used to determine the fair value.

£7.1 million has been transferred into level 3 due to inputs to valuation methods becoming unobservable.

For the year ended 31 March 2017, a level 3 investment of £16.3 million had been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition £6.2 million has been transferred to level 3 due to valuation inputs becoming unobservable.

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

Financial instruments at fair value *(continued)*

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

For the year to 31 March £'000	Total	Realised	Unrealised
2018			
Total gains or (losses) included in the income statement for the year			
Net interest income	1 613	1 613	–
Fee and commission income	93	–	93
Investment income	49 759	54 119	(4 360)
Trading loss arising from customer flow	(3 598)	(488)	(3 110)
Trading income arising from balance sheet management and other trading activities	1 623	40	1 583
	49 490	**55 284**	**(5 794)**
Total gains or (losses) recognised in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	8 092	8 092	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	2 736	–	2 736
	10 828	**8 092**	**2 736**
2017			
Total gains included in the income statement for the year			
Net interest income	1 831	1 831	–
Fee and commission income	11 732	11 443	289
Investment income	36 887	35 527	1 360
Trading income arising from customer flow	26 649	16	26 633
	77 099	**48 817**	**28 282**
Total gains or (losses) recognised in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	16 377	16 377	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(2 201)	–	(2 201)
	14 176	**16 377**	**(2 201)**

Financial instruments at fair value *(continued)*

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

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

31 March 2018	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	16 769	Potential impact on income statement		729	(840)
		Cash flow adjustments	CPR 8.3% – 10%	254	(363)
		EBITDA	(5%)/5%	327	(327)
		Other^	^	148	(150)
Derivative financial instruments	44 200	Potential impact on income statement		6 507	(8 729)
		Volatilities	4% – 9%	356	(356)
		Cash flow adjustments	CPR 8% – 10%	154	(140)
		EBITDA	(10%)/10%	131	(131)
		WACC	19.5% – 48.5%	4 049	(5 750)
		Other^	^	1 817	(2 352)
Securities arising from trading activities	6 754	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	1 180	(1 080)
Investment portfolio	587 819	Potential impact on income statement		125 231	(138 497)
		Price earnings multiple	5.0 x – 10 x	6 159	(6 120)
		EBITDA	**	50 197	(43 893)
		Precious and industrial metals prices	(10%)/6%	2 420	(4 081)
		Property prices	(10%)/10%	2 046	(2 046)
		WACC	19.5% – 48.5%	12 799	(23 769)
		Cash flows	*	2 301	(2 483)
		Other^	^	49 309	(56 105)
		Potential impact on other comprehensive income		2 138	(2 113)
		Price earnings multiple	4.0 x – 5.5 x	175	(246)
		Other^	^	1 963	(1 867)
Loans and advances to customers	133 740	Potential impact on income statement		15 490	(16 771)
		EBITDA	10%	10 349	(10 349)
		Other^	^	5 141	(6 422)
Other securitised assets*	130 388	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	875	(733)
Total level 3 assets	**919 670**			**152 150**	**(168 763)**
Liabilities					
Derivative financial instruments	(1 442)	Potential impact on income statement		(110)	122
		Cash flow adjustments	CPR 10%	(107)	119
		Volatilities	8%	(3)	3
Debt securities in issue	(14 199)	Potential impact on income statement			
		Volatilities	6%	(157)	157
Liabilities arising on securitisation of other assets*	(127 853)	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	(236)	231
Total level 3 liabilities	**(143 494)**			**(503)**	**510**
Net level 3 assets	**776 176**				

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

^ *Other – The valuation sensitivity for the private equity, other equity investments and embedded derivatives (profit share) portfolios has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

** *The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

Financial instruments at fair value *(continued)*

At 31 March 2017	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	6 431	Potential impact on income statement			
		Price earnings multiple	(10%)/10%	965	(129)
Derivative financial instruments	59 097	Potential impact on income statement		6 692	(5 016)
		Volatilities	4% – 9.5%	2 465	(1 537)
		EBITDA	5% – 6 %	63	–
		Cash flow adjustments	CPR 6.25% – 8.4%	648	(1 086)
		Property values	(10%)/10%	60	(60)
		Other^	^	3 456	(2 333)
Securities arising from trading activities	9 071	Potential impact on income statement			
		Cash flow adjustments	CPR 9%	1 290	(1 074)
Investment portfolio	586 327	Potential impact on income statement		81 819	(76 204)
		Price earnings multiple	3 x – 10.3 x	5 430	(5 788)
		Precious and industrial metal prices	(10%)/10%	15 403	(17 215)
		EBITDA	^^	20 862	(17 532)
		Other^	^	40 124	(35 669)
		Potential impact on other comprehensive income		6 228	(2 655)
		Price earnings multiple	4.0 x – 4.5 x	630	(301)
		Other^	^	5 598	(2 354)
Loans and advances to customers	86 482	Potential impact on income statement		9 825	(9 716)
		EBITDA	10%	5 681	(5 681)
		Other^	^	4 144	(4 035)
Other securitised assets*	138 628	Potential impact on income statement			
		Cash flow adjustments	CPR 6.25%	48	(38)
Non current assets held for sale	27 218	Potential impact on income statement			
		Price earnings multiple	(10%)/10%	3 876	(3 459)
Total level 3 assets	**913 254**			**110 743**	**(98 291)**
Liabilities					
Derivative financial instruments	1 048	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	(794)	983
Debt securities in issue	12 682	Potential impact on income statement			
		Volatilities	7%	(608)	401
Liabilities arising on securitisation of other assets*	128 838	Potential impact on income statement			
		Cash flow adjustments	CPR 6.25%	(847)	931
Total level 3 liabilities	**142 568**			**(2 249)**	**2 315**
Net level 3 assets	**770 686**				

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share) portfolios has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

^^ *The EBITDA has been stressed on an investment by investment basis in order to obtain a favourable and unfavourable valuation.*

Financial instruments at fair value *(continued)*

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

Discount rates

Discount rates (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

EBITDA

A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

Price earnings multiple

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

Property value and precious and industrial metals

The property value and the price of precious and industrial metals in a key driver of future cash flows on these investments.

Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	2018			2017		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**
Foreign exchange derivatives						
Forward foreign exchange contracts	20 660 781	378 011	256 556	18 610 552	297 618	246 584
Currency swaps	2 969 822	152 162	198 904	1 613 133	219 907	341 284
OTC options bought and sold	3 836 718	110 655	91 644	14 323 079	87 271	54 704
Other foreign exchange contracts	112	22	24	57	208	189
OTC derivatives	**27 467 433**	**640 850**	**547 128**	**34 546 821**	**605 004**	**642 761**
Interest rate derivatives						
Caps and floors	6 472 519	18 276	5 534	5 898 931	27 422	11 025
Swaps	37 378 697	239 592	299 246	30 156 329	209 890	258 866
Forward rate agreements	96 267	3 150	861	77 522	944	1 163
OTC options bought and sold	63 104	2 079	1 851	^	1 415	1 399
Other interest rate contracts	397 361	13	23 836	373 614	26 905	2 040
OTC derivatives	**44 407 948**	**263 110**	**331 328**	**36 506 396**	**266 576**	**274 493**
Exchange traded futures	17 409	–	4	–	–	–
	44 425 357	**263 110**	**331 332**	**36 506 396**	**266 576**	**274 493**
Equity and stock index derivatives						
OTC options bought and sold	9 205 748	413 132	304 067	21 144 620	256 441	260 862
Equity swaps and forwards	3 700 016	63 107	86 918	2 004 532	20 695	57 279
OTC derivatives	12 905 764	476 239	390 985	23 149 152	277 136	318 141
Exchange traded futures	357 508	(1 391)	–	277 250	107	–
Exchange traded options	7 481 444	(68)	56 322	7 208 932	3 440	–
Warrants	136 338	–	355 255	184 179	479	305 526
	20 881 054	**474 780**	**802 562**	**30 819 513**	**281 162**	**623 667**
Commodity derivatives						
OTC options bought and sold	32 411	4 228	1 976	39 026	518	477
Commodity swaps and forwards	1 139 019	50 738	40 150	652 431	23 353	14 905
OTC derivatives	**1 171 430**	**54 966**	**42 126**	**691 457**	**23 871**	**15 382**
Credit derivatives	**1 607 611**	**15 195**	**23 878**	**1 195 882**	**16 673**	**17 479**
Embedded derivatives*		**34 400**			**30 886**	
Cash collateral		**(130 893)**	**(275 463)**		**(38 324)**	**(277 576)**
Derivatives per balance sheet		**1 352 408**	**1 471 563**		**1 185 848**	**1 296 206**

* *Mainly includes profit shares received as part of lending transactions.*

^ *Less than £1 000.*

As at 31 March £'000	2018	2017
Interests in associated undertakings		
Analysis of the movement in interests in associated undertakings:		
At the beginning of the year	392 213	267 099
Exchange adjustments	3 310	65 800
Disposals	(12 784)	(6 141)
Acquisitions	1 142	–
Increase in investment	31 000	–
Return of capital	(4 651)	–
Acquisition of non-controlling interests	–	5 528
Advance of loan	10 996	–
Transfer from investment portfolio	–	43 362
Share of post taxation profit of associates	46 823	18 890
Dividends received	(197)	(2 325)
At the end of the year	**467 852**	**392 213**

£'000	2018	2017
Details of material associated companies		
IEP Group Proprietary Limited		
Summarised financial information (£'000):		
For the year to 31 March		
Revenue	679 542	310 191
Profit after taxation	111 929	36 510
Total comprehensive income	110 530	36 510
At 31 March		
Assets		
Non-current assets	1 255 174	1 187 330
Current assets	372 064	315 324
Liabilities		
Non-current liabilities	577 757	458 874
Current liabilities	184 908	303 135
Net asset value	**864 573**	**740 645**
Non-controlling interest	140 915	113 596
Shareholders' equity	723 658	627 049
Effective interest in issued share capital	45.7%	45.0%
Net asset value	330 856	282 172
Goodwill	40 953	40 632
Carrying value of interest – equity method	**371 810**	**322 804**

As at 31 March £'000	2018	2017
Other trading liabilities		
Deposits	97 042	78 557
Short positions		
– Equities	802 531	831 417
– Gilts	60 593	68 937
	960 166	**978 911**

As at 31 March £'000	2018	2017
Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	29 392	66 299
Three months to one year	227 861	359 991
One to five years	1 616 276	1 173 080
Greater than five years	843 658	786 810
	2 717 187	**2 386 180**

As at 31 March £'000	2018	2017
Other liabilities		
Settlement liabilities	828 960	897 977
Other creditors and accruals	786 274	748 617
Other non-interest-bearing liabilities	397 034	264 236
	2 012 268	**1 910 830**

At 31 March	2018	2017
Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	657 105 625	617 418 864
Issued during the year	12 733 070	39 686 761
At the end of the year	**669 838 695**	**657 105 625**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	132	124
Issued during the year	2	8
At the end of the year	**134**	**132**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	301 165 174	291 363 706
Issued during the year	9 557 570	9 801 468
At the end of the year	**310 722 744**	**301 165 174**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	59	58
Issued during the year	3	1
At the end of the year	**62**	**59**
Number of UK DAN shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of UK DAN share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of UK DAS shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of UK DAS share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of special voting shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of special voting share	**£'000**	**£'000**
At the beginning and end of the year	*	*

* *Less than £1 000.*

At 31 March	2018	2017

Ordinary share capital *(continued)*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2017: R1 960 002), comprising 450 000 000 (2017: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2017: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2017: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2017: 1 500 000) Class ILRP 2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2017: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2017: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2017: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2017: 1) Dividend Access (South African resident) redeemable preference share of R1.00, 1 (2017: 1) Dividend Access (non-South African resident) redeemable preference share of R1.00, 700 000 000 (2017: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares).

Issued, allotted and fully paid

Number of ordinary shares	**Number**	**Number**
At the beginning of the year	301 165 174	291 363 706
Issued during the year	9 557 570	9 801 468
At the end of the year	**310 722 744**	**301 165 174**

Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	46	46
Issued during the year	*	*
At the end of the year	**46**	**46**

Number of special converting shares	**Number**	**Number**
At the beginning of the year	657 105 625	617 418 864
Issued during the year	12 733 070	39 686 761
At the end of the year	**669 838 695**	**657 105 625**

Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	5	5
Issued during the year	*	*
At the end of the year	**5**	**5**

Number of SA DAN shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**

Nominal value of SA DAN share	**£'000**	**£'000**
At the beginning and end of the year	*****	*****

* *Less than £1 000.*

At 31 March	2018	2017
Ordinary share capital *(continued)*		
Number of SA DAS shares		**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAS share		**£'000**
At the beginning and end of the year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited:		
Total called up share capital	247	242
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(5)	(3)
Total called up share capital	**240**	**237**

* *Less than £1 000.*

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling: Rand exchange rates. In terms of the DLC structure shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 7.

Movements in the number of share options issued to employees are as follows (each option is in respect of one share):

For the year to 31 March	Number 2018	Number 2017
Opening balance	61 936 538	66 534 024
Issued during the year	14 771 933	13 029 001
Exercised	(25 350 261)	(15 568 591)
Lapsed	(2 076 205)	(2 057 896)
Closing balance	**49 282 005**	**61 936 538**

The purpose of the staff share scheme is to promote an esprit de corps within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the groups' share price.

At present, the practice of the group is to grant all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from three to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.

The extent of the directors' and staff interests in the incentive scheme is detailed on pages 138 to 147 and 175 to 178.

As at 31 March £'000	2018	2017
Related party transactions		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	26 715	34 062
Increase in loans	15 311	6 352
Repayment of loans	(4 831)	(10 232)
Exchange adjustment	132	(3 467)
At the end of the year	**37 327**	**26 715**
Guarantees		
At the beginning of the year	6 092	11 330
Additional guarantees granted	309	80
Guarantees cancelled	(6 010)	(5 884)
Exchange adjustment	11	566
At the end of the year	**402**	**6 092**
Deposits		
At the beginning of the year	(36 238)	(25 711)
Increase in deposits	(12 223)	(21 130)
Decrease in deposits	19 610	12 023
Exchange adjustment	247	(1 420)
At the end of the year	**(28 604)**	**(36 238)**

The above transactions were made in the ordinary course of business and are on the same terms, including interest rates and security, as for comparable arms length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

Where related parties have investment products (that may be included in funds under management) offered to clients on terms and conditions in the ordinary course of business, these have not been included above as the group does not carry any exposure relating to these transactions (they are at client risk).

For the year to 31 March £'000	2018	2017
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	**–**	**32 899**
The loan arises from Investec's portion of funding in relation to the original 15% acquisition of Investec Asset Management by senior management of the business.		
The group has an investment in a private equity vehicle in which a previous Investec director has a significant influence. The group has made an investment of £70.6 million (2017: £36.3 million) and has committed further funding of £32.6 million to the vehicle. The terms and conditions of the transaction were no more favourable than those available, or which might be expected to be available on similar transactions to non-related entities on an arm's length basis.		
Transactions with associates		
Amounts due from associates and their subsidiaries	**11 371**	**278 764**
Interest income from loans to associates	**652**	**5 463**
Fees and commission income from associates	**–**	**–**

The above outstanding balances arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 208

Adjusted shareholders' equity

Refer to calculation on page 56

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Dividend cover

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

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 208

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit (excluding share of post taxation profit of associates)

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 54

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less operating costs, impairment losses on loans and advances and depreciation on operating leased assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 59

Annuity 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 56

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 56

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling)

Staff compensation to operating income ratio*

All staff compensation costs expressed as a percentage of operating income

Third party assets under management

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities, Other Additional Tier 1 securities in issue and non-controlling interests

Total equity

Total shareholders' equity including Other Additional Tier 1 securities in issue and 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 208

* *Investec Asset Management (IAM) operates schemes for staff whose bonuses are deferred into collective investment schemes that are managed by IAM. Any resulting profit or loss arising from these schemes is attributable to the employee in respect of whom the investment was made. As such, any rise or fall in the value of the assets held is offset to an equal but opposite degree by the change in the liability (expense) to the employee. Therefore the profit or loss on these investments and the corresponding expense to employees are offset in arriving at the staff compensation ratio for IAM and hence for the group as a whole.*

5 Contact details

Australia, Brisbane

Level 36, Riparian Plaza
71 Eagle Street
Brisbane
QLD 4001 Australia
Telephone (61) 7 3018 8106
e-mail australia@investec.com.au

Australia, Melbourne

Level 13 120 Collins Street
Melbourne
GPO Box 2280
VIC 3001
Telephone (61) 2 9293 6300
Facsimile (61) 2 9293 6301
e-mail australia@investec.com.au

Australia, Sydney

Level 23, The Chifley Tower
2 Chifley Square
Phillip Street Sydney
GPO Box 4411 NSW 2000 Australia
Telephone (61) 2 9293 6300
Facsimile (61) 2 9293 6301
e-mail australia@investec.com.au

Botswana, Gaborone

Plot 64511, Unit 5
Fairgrounds Gaborone
Telephone (267) 318 0112
Facsimile (267) 318 0114
e-mail info@investec.com

Guernsey

Glategny Court
Glategny Esplanade, GY1 1WR
Channel Islands
Telephone +(44) 1481 706 950
Facsimile +(44) 1481 741 147
e-mail enquiries@investec-ci.com

Hong Kong

Suite 3609 36/F
Two International Finance Centre
8 Finance Street
Central Hong Kong
Telephone (852) 3187 5000
Facsimile (852) 2524 3360
e-mail investec.asia@investecmail.com

Suites 2604 – 06 Tower 2 The Gateway
Harbour City Tsimshatsui Kowloon
Hong Kong
Telephone (852) 2861 6888
Facsimile (852) 2861 6861

India, Mumbai

607-A, The Capital
A – Wing, Bandra Kurla Complex
Bandra East, 400051
India
Telephone (91) 226 136 7400

Ireland, Dublin

The Harcourt Building
Harcourt Street, 2
Dublin Ireland
Telephone (353 1) 421 0000
Facsimile (353 1) 421 0500
e-mail info@investec.ie

Ireland, Cork

One Albert Quay
Cork
Ireland
Telephone (353 21) 237 3800
e-mail corkinfo@investec.ie

Italy, Milan

Corso Venezia 44
20121, Milano
Italy
Telephone (39 02) 3658 1590

Jersey

One The Esplanade, St Helier
Jersey
JE2 3QA Channel Islands
Telephone (44) 1534 512 650
Facsimile (44) 1534 285 174
e-mail enquiries@investec-ci.com

Luxembourg

32/36 Boulevard d'Avranche
L-1160
Luxembourg
Telephone (352 264) 979 8000
Facsimile (352 264) 979 8888

Mauritius, Port Louis

6th Floor Dias Pier Building
Le Caudan Waterfront Caudan
Port Louis
Telephone (230) 207 4000
Facsimile (230) 207 4002
e-mail info@investec.com

Namibia, Windhoek

Office 1 Ground floor
Heritage Square Building
100 Robert Mugabe Avenue Windhoek
Telephone (264 61) 389 500
Facsimile (264 61) 249 689
e-mail info@investec.com

Singapore

25 Duxton Hill #03-01
Singapore 089608
Telephone (65) 6653 5550
Facsimile (65) 6653 5551
e-mail investec.sg@investecmail.com

South Africa, Cape Town

36 Hans Strijdom Avenue
Foreshore Cape Town 8001
PO Box 1826 Cape Town 8000
Telephone (27 21) 416 1000
Facsimile (27 21) 416 1001

South Africa, Durban

5 Richefond Circle
Ridgeside Office Park
Umhlanga Durban 4319
PO Box 25278 Gateway Durban 4321
Telephone (27 31) 575 4000
Facsimile (27 865) 009 901

South Africa, East London

Cube 1
Cedar Square
Bonza Bay Road
Beacon Bay
East London 5241
Telephone (27 43) 709 5700
Facsimile (27 43) 748 1548

Contact details

(continued)

South Africa, Johannesburg

100 Grayston Drive
Sandown Sandton 2196
PO Box 785700
Sandton 2146
Telephone (27 11) 286 7000
Facsimile (27 11) 286 7777
e-mail, South African offices

- Recruitment queries:
  recruitment@investec.co.za
- Client queries:
  – Asset management:
  comcentre@investecmail.com
  – Institutional Securities:
  securities@investec.co.za
  – Private Client Securities:
  iso@investec.co.za
  – Property Group:
  ipg@investec.co.za
  – Private Bank:
  privatebank@investec.co.za
  – Capital Markets:
  capitalmarketssa@investec.co.za

South Africa, Knysna

TH24/TH25 Long Street Ext
Thesen Harbour Town Knysna 6571
Telephone (27 44) 302 1800
Facsimile (27 44) 382 4954

South Africa, Pietermaritzburg

48 Bush Shrike Close
Victoria Country Club Estate
Montrose
Pietermaritzburg 3201
PO Box 594 Pietermaritzburg 3200
Telephone (27 33) 264 5800
Facsimile (27 33) 342 1561

South Africa, Port Elizabeth

Waterfront Business Park, Pommern Street
Humerail, Port Elizabeth, 6045
PO Box 13434
Humewood, Port Elizabeth 6057
Telephone (27 41) 396 6700
Facsimile (27 41) 363 1667

South Africa, Pretoria

Corner Atterbury and Klarinet Streets
Menlo Park
Pretoria 0081
PO Box 35209
Menlo Park 0102
Telephone (27 12) 427 8300
Facsimile (27 12) 427 8310

South Africa, Stellenbosch

Office 401, Mill Square, 4th Floor
12 Plein Street, Stellenbosch 7600
PO Box 516 Stellenbosch 7599
Telephone (27 21) 809 0700
Facsimile (27 21) 809 0730

Switzerland, Lausanne

Rue Pèpinet 1
1003 Lausanne, Switzerland
Telephone (41 21) 644 2130
Facsimile (41 44) 226 1010
e-mail info@investecbank.ch

Switzerland, Zurich

Loewenstrasse 29
Zurich, CH-8001
Switzerland
Telephone (41 44) 226 1000
Facsimile (41 44) 226 1010
e-mail info@investecbank.ch

United Kingdom, Bath

Royal Mead, Railway Place
Bath, BA1 1SR, UK
Telephone (44122) 534 1580
Facsimile (44122) 534 1581

Northern Ireland, Belfast

5th Floor Centrepoint
58-60 Bedford Street, Belfast
BT2 7DR, Northern Ireland
Telephone (44 2890) 321 002
Facsimile (44 2890) 244 852

United Kingdom, Birmingham

Colmore Plaza, Colmore Circus
Birmingham, B4 6AT, UK
Telephone (44121) 232 0700
Facsimile (44121) 232 0701

United Kingdom, Bournemouth

Midland House, 2 Poole Road
Bournemouth, BH2 5QY, UK
Telephone (44120) 220 8100
Facsimile (44120) 220 8101

United Kingdom, Cheltenham

Festival House
Jessop Avenue Cheltenham
GL50 3SH, UK
Telephone (44 1242) 514 756
Facsimile (44 1242) 583 936

United Kingdom, Edinburgh

Quartermile One, 15 Lauriston Place
Edinburgh
EH3 9EN, UK
Telephone (44 131) 226 5000
Facsimile (44 131) 226 5700

United Kingdom, Exeter

Keble House, Southernhay Gardens
Exeter, EX1 1NT, UK
Telephone (44139) 220 4404
Facsimile (44139) 242 6176

United Kingdom, Glasgow

4th Floor, 5 George Square
Glasgow, G2 1DY, UK
Telephone: (44141) 333 9323
Facsimile (44141) 332 9920

United Kingdom, Guildford

Unit 4, The Billings, 3 Walnut Tree Close
Guildford, GU1 4UL, UK
Telephone (44148) 330 4707
Facsimile (44148) 345 5271

United Kingdom, Leeds

Quayside House, Canal Wharf
Leeds, LS11 5PU, UK
Telephone (44113) 245 4488
Facsimile (44113) 245 1188

United Kingdom, Liverpool

The Plaza
100 Old Hall Street Liverpool
L3 9AB, UK
Telephone (44 151) 227 2030
Facsimile (44 151) 227 2444

United Kingdom, London

30 Gresham Street, London
EC2V 7QP, UK
Telephone (44 207) 597 4000
Facsimile (44 207) 597 4070

30 Gresham Street, London
EC2V 7QN, UK
Telephone (44 207) 597 1234
Facsimile (44 207) 597 1000

25 Basinghall Street, London
EC2V 5HA, UK
Telephone (44 207) 597 1900
Facsimile (44 207) 597 1919

United Kingdom, Manchester

3 Hardman Street Spinningfields
Manchester M3 3HF UK
Telephone (44 161) 832 6868
Facsimile (44 161) 832 1233

Contact details

(continued)

United Kingdom, Reading

Investec Asset Finance plc
Reading International Business Park
RG2 6AA, UK
Telephone (03 30) 123 9613

United Kingdom, Reigate

43 London Road Reigate, Surrey
RH2 9PW, UK
Telephone (44 173) 722 4223
Facsimile (44 173) 722 4197

United Kingdom, Sheffield

Beech House
61 Napier Street Sheffield
S11 8HA, UK
Telephone (44 114) 275 5100
Facsimile (44 114) 270 1109

United States, New York

10 East 53rd Street
22nd Floor
New York, NY 10022
United States of America
Telephone (212) 259 5610
Facsimile (917) 206 5103

Investec plc and Investec Limited

Secretary and registered office

Investec plc

David Miller
30 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4491

Investec Limited

Niki van Wyk
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2196
Telephone (27) 11 286 7000
Facsimile (27) 11 286 7966

Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Registrars in the UK

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Telephone (44) 370 707 1077

Transfer secretaries in South Africa

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051
Marshalltown 2107
Telephone (27) 11 370 500

Sponsors

Investec Bank Limited
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2196

Directorate

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Notes

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