

# 2016

**INVESTEC BANK PLC  
FINANCIAL INFORMATION**  
(a subsidiary of Investec plc)

Unaudited consolidated financial  
information for the year ended  
31 March 2016

**IFRS – Pounds Sterling**

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*Out of the Ordinary®*

 **Investec**





## Overview of results

For the year to 31 March	2016	2015	% change
Total operating income before impairment losses on loans and advances (£'000)	859 189	853 053	0.7%
Operating costs (£'000)	628 515	644 322	(2.5%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	146 347	101 243	44.6%
Earnings attributable to ordinary shareholder (£'000)	96 635	105 848	(8.7%)
Cost to income ratio	73.3%	75.7%	
Total capital resources (including subordinated liabilities) (£'000)	2 440 165	2 398 038	1.8%
Total shareholder's equity (£'000)	1 842 856	1 801 115	2.3%
Total assets (£'000)	18 334 568	17 943 469	2.2%
Net core loans and advances (£'000)	7 781 386	7 035 690	10.6%
Customer accounts (deposits) (£'000)	11 038 164	10 579 558	4.3%
Cash and near cash balances (£'000)	5 014 171	5 010 861	0.1%
Funds under management (£'mn)	30 104	29 838	0.9%
Capital adequacy ratio	17.0%	17.5%	
Tier 1 ratio	11.9%	12.1%	
Common equity tier 1 ratio	11.9%	12.1%	
Leverage ratio – current	7.5%	7.5%	
Leverage ratio – "fully loaded"	7.5%	7.5%	
Defaults (net of impairments) as a % of net core loans and advances	2.19%	3.01%	
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	1.13%	1.16%	
Total gearing ratio (i.e. total assets to total equity)	9.9x	10.0x	
Loans and advances to customers: customer accounts (deposits)	70.5%	66.5%	



For the year to 31 March

£'000	2016	2015
Interest income	550 715	620 541
Interest expense	(280 649)	(330 673)
<b>Net interest income</b>	<b>270 066</b>	<b>289 868</b>
Fee and commission income	437 650	477 565
Fee and commission expense	(11 608)	(15 089)
Investment income	67 308	7 301
Trading income arising from		
– customer flow	92 683	88 258
– balance sheet management and other trading activities	(8 552)	(4 924)
Other operating income	11 642	10 074
<b>Total operating income before impairment losses on loans and advances</b>	<b>859 189</b>	<b>853 053</b>
Impairment losses on loans and advances	(84 217)	(102 084)
<b>Operating income</b>	<b>774 972</b>	<b>750 969</b>
Operating costs	(628 515)	(644 322)
Depreciation on operating leased assets	(2 149)	(1 535)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>144 308</b>	<b>105 112</b>
Impairment of goodwill	–	(8 552)
Amortisation of acquired intangibles	(14 477)	(14 497)
<b>Operating profit</b>	<b>129 831</b>	<b>82 063</b>
Net (loss)/gain on disposal of subsidiaries	(4 805)	78 529
<b>Profit before taxation</b>	<b>125 026</b>	<b>160 592</b>
Taxation on operating profit before goodwill and acquired intangibles	(35 131)	(22 568)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	4 701	(28 307)
<b>Profit after taxation</b>	<b>94 596</b>	<b>109 717</b>
Loss/(profit) attributable to non-controlling interests	2 039	(3 869)
<b>Earnings attributable to shareholder</b>	<b>96 635</b>	<b>105 848</b>



## Consolidated statement of total comprehensive income

For the year to 31 March

£'000	2016	2015
Profit after taxation	94 596	109 717
<b>Other comprehensive income/(loss):</b>		
<b>Items that may be reclassified to the income statement:</b>		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	–	471
(Gains)/losses on realisation of available-for-sale assets recycled through the income statement*	(1 298)	1 935
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	(20 170)	(3 686)
Foreign currency adjustments on translating foreign operations	3 968	(51 630)
<b>Total comprehensive income</b>	<b>77 096</b>	<b>56 807</b>
Total comprehensive (loss)/income attributable to non-controlling interests	(2 149)	3 864
Total comprehensive income attributable to ordinary shareholder	79 245	52 943
<b>Total comprehensive income</b>	<b>77 096</b>	<b>56 807</b>

\* Net of taxation.

# Consolidated balance sheet



At 31 March  
£'000

	2016	2015
<b>Assets</b>		
Cash and balances at central banks	2 638 064	2 181 232
Loans and advances to banks	935 071	828 726
Reverse repurchase agreements and cash collateral on securities borrowed	557 025	1 448 205
Sovereign debt securities	1 252 991	1 212 910
Bank debt securities	188 397	226 273
Other debt securities	403 521	222 485
Derivative financial instruments	842 936	805 886
Securities arising from trading activities	524 344	670 298
Investment portfolio	419 861	400 800
Loans and advances to customers	7 781 386	7 035 690
Other loans and advances	577 584	776 305
Other securitised assets	150 565	411 983
Interests in associated undertakings	17 446	16 297
Deferred taxation assets	71 563	66 249
Other assets	1 453 050	1 113 136
Property and equipment	53 042	60 316
Investment properties	79 051	65 736
Goodwill	261 804	260 900
Intangible assets	126 867	140 042
	<b>18 334 568</b>	<b>17 943 469</b>
<b>Liabilities</b>		
Deposits by banks	526 717	214 138
Derivative financial instruments	964 386	953 205
Other trading liabilities	226 598	251 879
Repurchase agreements and cash collateral on securities lent	281 260	597 259
Customer accounts (deposits)	11 038 164	10 579 558
Debt securities in issue	1 508 672	1 334 236
Liabilities arising on securitisation of other assets	120 617	330 526
Current taxation liabilities	141 064	121 198
Deferred taxation liabilities	26 143	39 464
Other liabilities	1 060 782	1 123 968
	<b>15 894 403</b>	<b>15 545 431</b>
<b>Subordinated liabilities</b>	597 309	596 923
	<b>16 491 712</b>	<b>16 142 354</b>
<b>Equity</b>		
Ordinary share capital	1 186 800	1 186 800
Share premium	143 288	143 288
Capital reserve	162 789	162 789
Other reserves	(36 181)	(18 791)
Retained income	387 606	326 351
<b>Shareholder's equity excluding non-controlling interests</b>	<b>1 844 302</b>	<b>1 800 437</b>
Non-controlling interests in partially held subsidiaries	(1 446)	678
<b>Total equity</b>	<b>1 842 856</b>	<b>1 801 115</b>
<b>Total liabilities and equity</b>	<b>18 334 568</b>	<b>17 943 469</b>



## Statement of changes in equity

£'000	2016	2015
<b>Balance at the beginning of the year</b>	<b>1 801 115</b>	<b>1 912 109</b>
Profit after taxation	94 596	109 717
Fair value movements on cash flow hedges taken directly to other comprehensive income*	–	471
(Gains)/losses on realisation of available-for-sale assets recycled through the income statement*	(1 298)	1 935
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	(20 170)	(3 686)
Foreign currency adjustments on translating foreign operations	3 968	(51 630)
<b>Total comprehensive income for the year</b>	<b>77 096</b>	<b>56 807</b>
Share-based payments adjustments	4 620	4 160
Dividends paid to ordinary shareholders	(40 000)	(172 000)
Movement arising on reduction/acquisition of non-controlling interests	25	39
<b>Balance at the end of the year</b>	<b>1 842 856</b>	<b>1 801 115</b>

\* Net of taxation.

## Segmental business analysis – income statement



For the year to 31 March 2016 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	4 064	266 002	270 066
Fee and commission income	246 202	191 448	437 650
Fee and commission expense	(1 209)	(10 399)	(11 608)
Investment income	5 817	61 491	67 308
Trading income arising from			
– customer flow	333	92 350	92 683
– balance sheet management and other trading activities	138	(8 690)	(8 552)
Other operating income	1 191	10 451	11 642
<b>Total operating income before impairment losses on loans and advances</b>	<b>256 536</b>	<b>602 653</b>	<b>859 189</b>
Impairment losses on loans and advances	–	(84 217)	(84 217)
<b>Operating income</b>	<b>256 536</b>	<b>518 436</b>	<b>774 972</b>
Operating costs	(193 507)	(435 008)	(628 515)
Depreciation on operating leased assets	–	(2 149)	(2 149)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>63 029</b>	<b>81 279</b>	<b>144 308</b>
Loss attributable to non-controlling interests	–	2 039	2 039
<b>Operating profit before goodwill, acquired intangibles and after non-controlling interests</b>	<b>63 029</b>	<b>83 318</b>	<b>146 347</b>
<b>Cost to income ratio</b>	<b>75.4%</b>	<b>72.4%</b>	<b>73.3%</b>
<b>Total assets (£'million)</b>	<b>1 026</b>	<b>17 309</b>	<b>18 335</b>

For the year to 31 March 2015 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	6 209	283 659	289 868
Fee and commission income	239 584	237 981	477 565
Fee and commission expense	(923)	(14 166)	(15 089)
Investment income	3 486	3 815	7 301
Trading income arising from			
– customer flow	895	87 363	88 258
– balance sheet management and other trading activities	356	(5 280)	(4 924)
Other operating income	1 276	8 798	10 074
<b>Total operating income before impairment losses on loans and advances</b>	<b>250 883</b>	<b>602 170</b>	<b>853 053</b>
Impairment losses on loans and advances	–	(102 084)	(102 084)
<b>Operating income</b>	<b>250 883</b>	<b>500 086</b>	<b>750 969</b>
Operating costs	(194 012)	(450 310)	(644 322)
Depreciation on operating leased assets	–	(1 535)	(1 535)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>56 871</b>	<b>48 241</b>	<b>105 112</b>
Profit attributable to non-controlling interests	–	(3 869)	(3 869)
<b>Operating profit before goodwill, acquired intangibles and after non-controlling interests</b>	<b>56 871</b>	<b>44 372</b>	<b>101 243</b>
<b>Cost to income ratio</b>	<b>77.3%</b>	<b>75.0%</b>	<b>75.7%</b>
<b>Total assets (£'million)</b>	<b>897</b>	<b>17 046</b>	<b>17 943</b>



## Additional income statement note disclosures

### Net interest income

		2016		2015	
For the year to 31 March £'000	Notes	Balance sheet value	Interest income	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 571 548	47 164	5 897 346	49 660
Core loans and advances	2	7 781 386	424 660	7 035 690	419 311
Private client		3 510 327	150 060	3 341 869	169 247
Corporate, institutional and other clients		4 271 059	274 600	3 693 821	250 064
Other debt securities and other loans and advances		981 105	78 891	998 790	122 620
Other interest-earning assets	3	–	–	411 983	28 950
<b>Total interest-earning assets</b>		<b>14 334 039</b>	<b>550 715</b>	<b>14 343 809</b>	<b>620 541</b>

		2016		2015	
For the year to 31 March £'000	Notes	Balance sheet value	Interest expense	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities	4	2 316 649	85 771	2 145 633	46 910
Customer accounts (deposits)		11 038 164	138 007	10 579 558	180 370
Other interest-bearing liabilities	5	–	–	330 526	43 522
Subordinated liabilities		597 309	56 871	596 923	59 871
<b>Total interest-bearing liabilities</b>		<b>13 952 122</b>	<b>280 649</b>	<b>13 652 640</b>	<b>330 673</b>
<b>Net interest income</b>			<b>270 066</b>		<b>289 868</b>

Notes:

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; 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.
3. Comprises in the prior year (as per the balance sheet) other securitised assets. In the current year no securitised assets are held at amortised cost.
4. Comprises (as per the balance sheet) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.
5. Comprises in the prior year (as per the balance sheet) liabilities arising on securitisation of other assets. In the current year no liabilities arising on securitisation are held at amortised cost.





(continued)

## Net fee and commission income

For the year to 31 March  
£'000

	2016	2015
<b>Wealth management businesses net fee and commission income</b>	<b>244 993</b>	<b>238 661</b>
Fund management fees/fees for assets under management	191 944	180 018
Private client transactional fees	54 258	59 566
Fee and commission expense	(1 209)	(923)
<b>Specialist Banking net fee and commission income</b>	<b>181 049</b>	<b>223 815</b>
Corporate and institutional transactional and advisory services	163 525	212 967
Private client transactional fees	27 923	25 014
Fee and commission expense	(10 399)	(14 166)
<b>Net fee and commission income</b>	<b>426 042</b>	<b>462 476</b>
Annuity fees (net of fees payable)	260 056	280 640
Deal fees	165 986	181 836

## Investment income

For the year to 31 March  
£'000

	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
<b>2016</b>					
Realised	10 319	36 331	–	2 673	49 323
Unrealised	15 562	(7 468)	1 282	(11 687)	(2 311)
Dividend income	15 419	–	–	–	15 419
Funding and other net related income	–	–	–	4 877	4 877
	<b>41 300</b>	<b>28 863</b>	<b>1 282</b>	<b>(4 137)</b>	<b>67 308</b>
<b>2015</b>					
Realised	63 395	8 857	–	8 125	80 377
Unrealised	(76 853)	(14 007)	8 726	1 003	(81 131)
Dividend income	5 861	–	–	–	5 861
Funding and other net related income	–	–	–	2 194	2 194
	<b>(7 597)</b>	<b>(5 150)</b>	<b>8 726</b>	<b>11 322</b>	<b>7 301</b>

\* Including embedded derivatives (warrants and profit shares).



## Analysis of financial assets and liabilities by measurement basis

At 31 March £'000	Total instruments at fair value	Total instruments at amortised cost	Non- financial instruments	Total
<b>2016</b>				
<b>Assets</b>				
Cash and balances at central banks	1 123	2 636 941	–	2 638 064
Loans and advances to banks	–	935 071	–	935 071
Reverse repurchase agreements and cash collateral on securities borrowed	157 565	399 460	–	557 025
Sovereign debt securities	1 252 991	–	–	1 252 991
Bank debt securities	12 076	176 321	–	188 397
Other debt securities	184 345	219 176	–	403 521
Derivative financial instruments*	842 936	–	–	842 936
Securities arising from trading activities	524 344	–	–	524 344
Investment portfolio	419 861	–	–	419 861
Loans and advances to customers	87 270	7 694 116	–	7 781 386
Other loans and advances	–	577 584	–	577 584
Other securitised assets	147 590	2 975	–	150 565
Interests in associated undertakings	–	–	17 446	17 446
Deferred taxation assets	–	–	71 563	71 563
Other assets	301 426	900 369	251 255	1 453 050
Property and equipment	–	–	53 042	53 042
Investment properties	–	–	79 051	79 051
Goodwill	–	–	261 804	261 804
Intangible assets	–	–	126 867	126 867
	<b>3 931 527</b>	<b>13 542 013</b>	<b>861 028</b>	<b>18 334 568</b>
<b>Liabilities</b>				
Deposits by banks	–	526 717	–	526 717
Derivative financial instruments*	964 386	–	–	964 386
Other trading liabilities	226 598	–	–	226 598
Repurchase agreements and cash collateral on securities lent	154 142	127 118	–	281 260
Customer accounts (deposits)	–	11 038 164	–	11 038 164
Debt securities in issue	358 548	1 150 124	–	1 508 672
Liabilities arising on securitisation of other assets	120 617	–	–	120 617
Current taxation liabilities	–	–	141 064	141 064
Deferred taxation liabilities	–	–	26 143	26 143
Other liabilities	–	877 602	183 180	1 060 782
	<b>1 824 291</b>	<b>13 719 725</b>	<b>350 387</b>	<b>15 894 403</b>
Subordinated liabilities	–	597 309	–	597 309
	<b>1 824 291</b>	<b>14 317 034</b>	<b>350 387</b>	<b>16 491 712</b>

\* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.



(continued)

## Fair value hierarchy

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).

At 31 March £'000	Valuation technique applied			
	Total instruments at fair value	Level 1	Level 2	Level 3
<b>2016</b>				
<b>Assets</b>				
Cash and balances at central banks	1 123	1 123	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	157 565	–	157 565	–
Sovereign debt securities	1 252 991	1 252 991	–	–
Bank debt securities	12 076	5 044	7 032	–
Other debt securities	184 345	2 122	171 293	10 930
Derivative financial instruments	842 936	1 398	791 853	49 685
Securities arising from trading activities	524 344	493 654	23 234	7 456
Investment portfolio	419 861	46 965	25 816	347 080
Loans and advances to customers	87 270	–	–	87 270
Other securitised assets	147 590	–	–	147 590
Other assets	301 426	301 426	–	–
	<b>3 931 527</b>	<b>2 104 723</b>	<b>1 176 793</b>	<b>650 011</b>
<b>Liabilities</b>				
Derivative financial instruments	964 386	–	963 031	1 355
Other trading liabilities	226 598	226 598	–	–
Repurchase agreements and cash collateral on securities lent	154 142	–	154 142	–
Debt securities in issue	358 548	–	358 548	–
Liabilities arising on securitisation of other assets	120 617	–	–	120 617
	<b>1 824 291</b>	<b>226 598</b>	<b>1 475 721</b>	<b>121 972</b>
<b>Net assets</b>	<b>2 107 236</b>	<b>1 878 125</b>	<b>(298 928)</b>	<b>528 039</b>

The group transfers between levels within the fair value hierarchy when the observability of input change or if the valuation methods change.

### TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

During the period derivative financial assets and liabilities to the value of £116.9 million and £210.3 million respectively were transferred from level 1 to level 2 to reflect the level of modelling which is now being used to arrive at the fair value. There were no significant transfers between level 1 and level 2 in the prior year.



## Additional IAS 34 disclosures

(continued)

### Fair value hierarchy (continued)

The following table is a reconciliation of the opening balances to the closing balances for fair value instruments in level 3 of the fair value hierarchy:

£'000	Total level 3 financial instruments	Fair value through profit and loss instruments	Available- for-sale instruments
<b>Balance as at 31 March 2015</b>	<b>455 829</b>	405 611	50 218
Total gains/(losses)	(3 032)	(6 197)	3 165
In the income statement	(2 760)	(6 197)	3 437
In the statement of comprehensive income	(272)	–	(272)
Purchases	118 076	109 132	8 944
Sales	(240 479)	(238 022)	(2 457)
Issues	79	79	–
Settlements	166 458	177 321	(10 863)
Transfers into level 3	26 344	23 608	2 736
Transfers out of level 3	(4 607)	(4 607)	–
Foreign exchange adjustments	9 371	6 147	3 224
<b>Balance as at 31 March 2016</b>	<b>528 039</b>	473 072	54 967

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

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 2016 £'000	Total	Realised	Unrealised
<b>Total gains or (losses) included in the income statement for the year</b>			
Net interest income	238	238	–
Fee and commission income	4 938	4 938	–
Investment income/(expense)	2 322	(8 118)	10 440
Trading income arising from customer flow	(10 258)	(10 962)	704
	<b>(2 760)</b>	<b>(13 904)</b>	<b>11 144</b>
<b>Total gains or (losses) included in other comprehensive income for the year</b>			
Gains on realisation of available-for-sale assets recycled through the income statement	3 437	3 437	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(272)	–	(272)
	<b>3 165</b>	<b>3 437</b>	<b>(272)</b>



## LEVEL 2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table sets out the group's principal valuation techniques as at 31 March 2016 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
<b>Assets</b>		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow model	Discount rates, swap 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	Discount rate, 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	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, net asset value model Comparable quoted inputs	Discount rate and fund unit price Net assets
<b>Liabilities</b>		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Debt securities in issue	Discounted cash flow model	Discount rates
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates



## Additional IAS 34 disclosures

(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:

	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been changed	Reflected in income statement	
				Favourable changes £'000	Unfavourable changes £'000
<b>31 March 2016</b>					
<b>Assets</b>					
Other debt securities	10 930			<b>525</b>	<b>(796)</b>
		Cash flow adjustments	(1%) – 1%	525	(472)
		Other	(5%) – 5%	–	(324)
Derivative financial instruments	49 685			<b>8 258</b>	<b>(5 454)</b>
		Volatilities	(2%) – 2%	2 471	(1 015)
		Cash flow adjustments	(1%) – 1%	834	(1 701)
		Other	(10%) – 10%	4 953	(2 738)
Securities arising from trading activities	7 456	Cash flow adjustments	(1%) – 1%	1 380	(1 050)
Investment portfolio	315 464			<b>41 913</b>	<b>(25 562)</b>
		Price earnings multiple	(10%) – 10%	232	(355)
		EBITDA	(10%) – 10%	3 971	(3 917)
		Other <sup>^</sup>	^	37 710	(21 290)
Loans and advances to customers	87 270			<b>1 550</b>	<b>(9 400)</b>
		Discount rates	(5%) – 5%	1 550	(987)
		Other	(5%) – 5%	–	(8 413)
Other securitised assets*	147 590			<b>2 825</b>	<b>(2 876)</b>
		Cash flow adjustments	(1%) – 1%	1 569	(1 727)
		Other	(1%) – 1%	1 256	(1 149)
<b>Liabilities</b>					
Derivative financial instruments	1 355			<b>1 667</b>	<b>(797)</b>
		Cash flow adjustments	(1%) – 1%	1 661	(790)
		Volatilities	(2%) – 2%	6	(7)
Liabilities arising on securitisation of other assets*	120 617	Cash flow adjustments	(1%) – 1%	1 356	(1 254)
				<b>59 474</b>	<b>(47 189)</b>

\* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.

<sup>^</sup> 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.

## Additional IAS 34 disclosures



(continued)

	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been changed	Favourable changes £'000	Unfavourable changes £'000
<b>Reflected in other comprehensive income</b>					
<b>31 March 2016</b>					
<b>Assets</b>				<b>5 668</b>	<b>(2 300)</b>
Investment portfolio	31 616	EBITDA Other <sup>^</sup>	(10%) – 10% ^	2 418 3 250	(1 340) (960)

<sup>^</sup> 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.

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

### Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

### Discount rates

Discount rates are the interest rates used to discount future cash flows in a discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

### Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

### Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

### Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

### EBITDA

A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

## Fair value of financial instruments at amortised cost

At 31 March 2016 £'000	Carrying amount	Fair value
<b>Assets</b>		
Cash and balances at central banks	2 636 941	2 636 941
Loans and advances to banks	935 071	935 070
Reverse repurchase agreements and cash collateral on securities borrowed	399 460	399 460
Bank debt securities	176 321	192 775
Other debt securities	219 176	205 529
Loans and advances to customers	7 694 116	7 716 162
Other loans and advances	577 584	564 593
Other securitised assets	2 975	2 975
Other assets	900 369	900 140
	<b>13 542 013</b>	<b>13 553 645</b>
<b>Liabilities</b>		
Deposits by banks	526 717	533 780
Repurchase agreements and cash collateral on securities lent	127 118	127 118
Customer accounts (deposits)	11 038 164	11 052 329
Debt securities in issue	1 150 124	1 026 284
Other liabilities	877 602	877 411
Subordinated liabilities	597 309	689 074
	<b>14 317 034</b>	<b>14 305 996</b>



### **Sale of businesses**

During the year ended 31 March 2015 Investec Bank plc sold Investec Bank (Australia) Limited. In addition, Investec plc sold Kensington Group plc and Start Mortgage Holdings as set out below.

#### **SALE OF INVESTEC BANK (AUSTRALIA) LIMITED**

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The sale of Investec Bank (Australia) Limited's Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold. The group continues to have a presence in Australia, focusing on its core activities of Specialised Finance, Corporate Advisory, Property Fund Management and Asset Management.

The remaining business operates as a non-banking subsidiary of the Investec group. As a result, we no longer report the activities of our Australian businesses separately.

#### **SALES OF KENSINGTON GROUP PLC AND START MORTGAGE HOLDINGS LIMITED**

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On 9 September 2014 Investec plc announced the sale of its UK intermediated mortgage business Kensington Group plc (Kensington) together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners for £180 million in cash based on a tangible net asset value of the business of £165 million at 31 March 2014. This transaction became effective on 30 January 2015.

On 15 September 2014 Investec plc announced the sale of its Irish intermediated mortgage business Start Mortgage Holdings Limited (Start) together with certain other Irish mortgage assets to an affiliate of Lone Star Funds. This transaction became effective on 4 December 2014.

Some of these sale assets resided on Investec Bank plc's balance sheet.

#### **IMPACT OF THESE SALES ON THE GROUP'S OPERATIONAL PERFORMANCE**

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The sales of these businesses have had a significant effect on the comparability of the group's financial statutory position and results. As a result, comparison on a statutory basis of the results for the year ended 31 March 2016 with the results for the year ended 31 March 2015 would be less meaningful. 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 only set out in a separate section.

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 following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK.

A reconciliation between the statutory and ongoing income statement is provided. All other information in this document is based on the group's statutory accounts, unless otherwise indicated.





(continued)

## CONSOLIDATED SUMMARISED ONGOING INCOME STATEMENT

Unaudited £'000	For the year to 31 March 2016	For the year to 31 March 2015	Variance	% change
Net interest income	268 226	239 952	28 274	11.8%
Net fee and commission income	422 757	459 461	(36 704)	(8.0%)
Investment income	66 815	25 527	41 288	161.7%
Trading income arising from				
– customer flow	93 335	88 533	4 802	5.4%
– balance sheet management and other trading activities	(8 312)	(3 838)	(4 474)	116.6%
Other operating income	11 642	10 026	1 616	16.1%
<b>Total operating income before impairment losses on loans and advances</b>	<b>854 463</b>	<b>819 661</b>	<b>34 802</b>	<b>4.2%</b>
Impairment losses on loans and advances	(16 069)	(13 679)	(2 390)	17.5%
<b>Operating income</b>	<b>838 394</b>	<b>805 982</b>	<b>32 412</b>	<b>4.0%</b>
Operating costs	(617 969)	(592 753)	(25 216)	4.3%
Depreciation on operating leased assets	(2 149)	(1 535)	(614)	40.0%
<b>Operating profit before goodwill, acquired intangibles and non-operating items</b>	<b>218 276</b>	<b>211 694</b>	<b>6 582</b>	<b>3.1%</b>
Loss/(profit) attributable to non-controlling interests	2 039	(3 869)	5 908	(152.7%)
<b>Operating profit before taxation</b>	<b>220 315</b>	<b>207 825</b>	<b>12 490</b>	<b>6.0%</b>
Taxation	(52 887)	(45 483)	(7 404)	16.3%
<b>Adjusted earnings before goodwill, acquired intangibles and non-operating items</b>	<b>167 428</b>	<b>162 342</b>	<b>5 086</b>	<b>3.1%</b>
Cost to income ratio	72.5%	72.5%		



## Understanding the group's results

(continued)

### RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT

Unaudited For the year to 31 March 2016 £'000	Statutory as disclosed	Removal of:**		Ongoing business
		UK legacy business excluding sale assets	Sale assets UK	
Net interest income	270 066	1 840	–	268 226
Net fee and commission income	426 042	3 285	–	422 757
Investment income	67 308	493	–	66 815
Trading income arising from				
– customer flow	92 683	(652)	–	93 335
– balance sheet management and other trading activities	(8 552)	(240)	–	(8 312)
Other operating income	11 642	–	–	11 642
<b>Total operating income before impairment losses on loans and advances</b>	<b>859 189</b>	<b>4 726</b>	<b>–</b>	<b>854 463</b>
Impairment losses on loans and advances	(84 217)	(68 148)	–	(16 069)
<b>Operating income</b>	<b>774 972</b>	<b>(63 422)</b>	<b>–</b>	<b>838 394</b>
Operating costs	(628 515)	(10 546)	–	(617 969)
Depreciation on operating leased assets	(2 149)	–	–	(2 149)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>144 308</b>	<b>(73 968)</b>	<b>–</b>	<b>218 276</b>
Loss attributable to non-controlling interests	2 039	–	–	2 039
<b>Operating profit/(loss) before taxation</b>	<b>146 347</b>	<b>(73 968)</b>	<b>–</b>	<b>220 315</b>
Taxation*	(35 131)	17 756	–	(52 887)
<b>Adjusted earnings before goodwill, acquired intangibles and non-operating items</b>	<b>111 216</b>	<b>(56 212)</b>	<b>–</b>	<b>167 428</b>
Cost to income ratio	73.3%			72.5%

\* Applying the bank's effective statutory taxation rate of 24.0%.

\*\* Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



(continued)

## RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT (continued)

Unaudited For the year to 31 March 2015 £'000	Removal of:**			Ongoing business	
	Statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK		Sale assets Australia
Net interest income	289 868	12 526	25 123	12 267	239 952
Net fee and commission income	462 476	756	(469)	2 728	459 461
Investment income	7 301	(16 204)	(155)	(1 867)	25 527
Trading income arising from					
– customer flow	88 258	350	(415)	(210)	88 533
– balance sheet management and other trading activities	(4 924)	19	(951)	(154)	(3 838)
Other operating income	10 074	–	–	48	10 026
<b>Total operating income before impairment losses on loans and advances</b>	<b>853 053</b>	<b>(2 553)</b>	<b>23 133</b>	<b>12 812</b>	<b>819 661</b>
Impairment losses on loans and advances	(102 084)	(83 468)	(3 461)	(1 476)	(13 679)
<b>Operating income</b>	<b>750 969</b>	<b>(86 021)</b>	<b>19 672</b>	<b>11 336</b>	<b>805 982</b>
Operating costs	(644 322)	(21 648)	(17 118)	(12 803)	(592 753)
Depreciation on operating leased assets	(1 535)	–	–	–	(1 535)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>105 112</b>	<b>(107 669)</b>	<b>2 554</b>	<b>(1 467)</b>	<b>211 694</b>
Profit attributable to non-controlling interests	(3 869)	–	–	–	(3 869)
<b>Operating profit/(loss) before taxation</b>	<b>101 243</b>	<b>(107 669)</b>	<b>2 554</b>	<b>(1 467)</b>	<b>207 825</b>
Taxation*	(22 568)	23 149	(549)	315	(45 483)
<b>Adjusted earnings before goodwill, acquired intangibles and non-operating items</b>	<b>78 675</b>	<b>(84 520)</b>	<b>2 005</b>	<b>(1 152)</b>	<b>162 342</b>
Cost to income ratio	75.7%				72.5%

\* Applying the bank's effective statutory taxation rate of 21.5%.

\*\* Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



## Understanding the group's results

(continued)

### RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT FOR THE SPECIALIST BANKING BUSINESS

Unaudited For the year to 31 March 2016 £'000	Specialist Banking statutory as disclosed	Removal of:**		Specialist Banking ongoing business
		UK legacy business excluding sale assets	Sale assets UK      Sale assets Australia	
Net interest income	266 002	1 840	–	264 162
Net fee and commission income	181 049	3 285	–	177 764
Investment income	61 491	493	–	60 998
Trading income arising from				
– customer flow	92 350	(652)	–	93 002
– balance sheet management and other trading activities	(8 690)	(240)	–	(8 450)
Other operating income	10 451	–	–	10 451
<b>Total operating income before impairment losses on loans and advances</b>	<b>602 653</b>	<b>4 726</b>	<b>–</b>	<b>597 927</b>
Impairment losses on loans and advances	(84 217)	(68 148)	–	(16 069)
<b>Operating income</b>	<b>518 436</b>	<b>(63 422)</b>	<b>–</b>	<b>581 858</b>
Operating costs	(435 008)	(10 546)	–	(424 462)
Depreciation on operating leased assets	(2 149)	–	–	(2 149)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>81 279</b>	<b>(73 968)</b>	<b>–</b>	<b>155 247</b>
Loss attributable to non-controlling interests	2 039	–	–	2 039
<b>Operating profit/(loss) before taxation</b>	<b>83 318</b>	<b>(73 968)</b>	<b>–</b>	<b>157 286</b>

\*\* Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



(continued)

## RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT FOR THE SPECIALIST BANKING BUSINESS (continued)

Unaudited For the year to 31 March 2015 £'000	Removal of:**			Specialist Banking ongoing business	
	Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK		Sale assets Australia
Net interest income	283 659	12 526	25 123	12 267	233 743
Net fee and commission income	223 815	756	(469)	2 728	220 800
Investment income	3 815	(16 204)	(155)	(1 867)	22 041
Trading income arising from					
– customer flow	87 363	350	(415)	(210)	87 638
– balance sheet management and other trading activities	(5 280)	19	(951)	(154)	(4 194)
Other operating income	8 798	–	–	48	8 750
<b>Total operating income before impairment losses on loans and advances</b>	<b>602 170</b>	<b>(2 553)</b>	<b>23 133</b>	<b>12 812</b>	<b>568 778</b>
Impairment losses on loans and advances	(102 084)	(83 468)	(3 461)	(1 476)	(13 679)
<b>Operating income</b>	<b>500 086</b>	<b>(86 021)</b>	<b>19 672</b>	<b>11 336</b>	<b>555 099</b>
Operating costs	(450 310)	(21 648)	(17 118)	(12 803)	(398 741)
Depreciation on operating leased assets	(1 535)	–	–	–	(1 535)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>48 241</b>	<b>(107 669)</b>	<b>2 554</b>	<b>(1 467)</b>	<b>154 823</b>
Profit attributable to non-controlling interests	(3 869)	–	–	–	(3 869)
<b>Operating profit/(loss) before taxation</b>	<b>44 372</b>	<b>(107 669)</b>	<b>2 554</b>	<b>(1 467)</b>	<b>150 954</b>

\*\* Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



## Understanding the group's results

(continued)

### ONGOING SEGMENTAL BUSINESS ANALYSIS – SUMMARISED INCOME STATEMENT

#### Unaudited

For the year to 31 March 2016  
£'000

	Wealth & Investment	Specialist Banking	Total group
Net interest income	4 064	264 162	268 226
Net fee and commission income	244 993	177 764	422 757
Investment income	5 817	60 998	66 815
Trading income arising from			
– customer flow	333	93 002	93 335
– balance sheet management and other trading activities	138	(8 450)	(8 312)
Other operating income	1 191	10 451	11 642
<b>Total operating income before impairment losses on loans and advances</b>	<b>256 536</b>	<b>597 927</b>	<b>854 463</b>
Impairment losses on loans and advances	–	(16 069)	(16 069)
<b>Operating income</b>	<b>256 536</b>	<b>581 858</b>	<b>838 394</b>
Operating costs	(193 507)	(424 462)	(617 969)
Depreciation on operating leased assets	–	(2 149)	(2 149)
<b>Operating profit before goodwill, acquired intangibles and non-operating items</b>	<b>63 029</b>	<b>155 247</b>	<b>218 276</b>
Loss attributable to non-controlling interests	–	2 039	2 039
<b>Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests</b>	<b>63 029</b>	<b>157 286</b>	<b>220 315</b>
Cost to income ratio	75.4%	71.2%	72.5%

#### Unaudited

For the year to 31 March 2015  
£'000

	Wealth & Investment	Specialist Banking	Total group
Net interest income	6 209	233 743	239 952
Net fee and commission income	238 661	220 800	459 461
Investment income	3 486	22 041	25 527
Trading income arising from			
– customer flow	895	87 638	88 533
– balance sheet management and other trading activities	356	(4 194)	(3 838)
Other operating income	1 276	8 750	10 026
<b>Total operating income before impairment losses on loans and advances</b>	<b>250 883</b>	<b>568 778</b>	<b>819 661</b>
Impairment losses on loans and advances	–	(13 679)	(13 679)
<b>Operating income</b>	<b>250 883</b>	<b>555 099</b>	<b>805 982</b>
Operating costs	(194 012)	(398 741)	(592 753)
Depreciation on operating leased assets	–	(1 535)	(1 535)
<b>Operating profit before goodwill, acquired intangibles and non-operating items</b>	<b>56 871</b>	<b>154 823</b>	<b>211 694</b>
Profit/(loss) attributable to non-controlling interests	–	(3 869)	(3 869)
<b>Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests</b>	<b>56 871</b>	<b>150 954</b>	<b>207 825</b>
Cost to income ratio	77.3%	70.3%	72.5%



## LEGACY BUSINESS IN THE UK SPECIALIST BANK

### Unaudited

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

The total legacy business over the period reported a loss before taxation of £74.0 million (2015: £107.7 million).

The remaining legacy portfolio will continue to be managed down as the group sees opportunities to clear the portfolio. The book has declined significantly over the past few years as a result of strategic sales, redemptions and write-offs. Management believes that the remaining legacy book will still take two to four years to clear. Total net defaults in the legacy book amount to £143 million.

### An analysis of assets within the legacy business

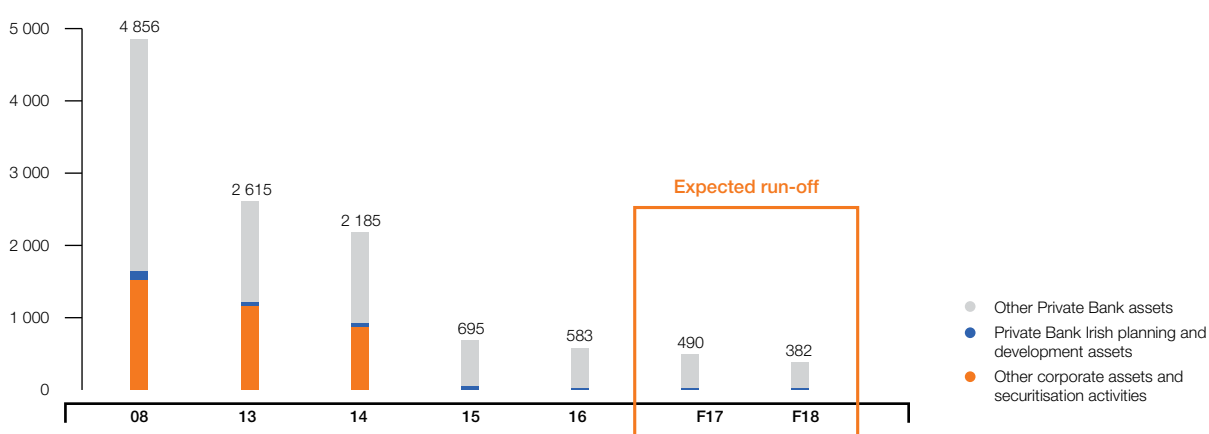
£'million	31 March 2016		31 March 2015	
	Total net assets (after impairments)	Total balance sheet impairment	Total net assets (after impairments)	Total balance sheet impairment
Private Bank Irish planning and development assets	23	14	47	50
Other Private Bank assets	560	107	648	126
<b>Total other legacy assets</b>	<b>583</b>	<b>121</b>	<b>695</b>	<b>176</b>
Performing	440	–	510	–
Non-performing*	143	121	185	176

\* Included in balance sheet impairments is a group portfolio impairment of £20.4 million (31 March 2015: £33.2 million). The 31 March 2015 disclosures have been adjusted to reflect the allocation of this portfolio impairment to the legacy portfolio.

## EXPECTED RUN-OFF OF LEGACY ASSETS

### Total legacy assets excluding sale assets

£'million





AN ANALYSIS OF OUR CORE LOANS AND ADVANCES, ASSET QUALITY AND IMPAIRMENTS

At 31 March

£'000	2016	2015
<b>Gross core loans and advances to customers</b>	<b>7 924 577</b>	<b>7 224 134</b>
<b>Total impairments</b>	<b>(143 191)</b>	<b>(188 444)</b>
Specific impairments	(121 791)	(154 262)
Portfolio impairments	(21 400)	(34 182)
<b>Net core loans and advances to customers</b>	<b>7 781 386</b>	<b>7 035 690</b>
<b>Average gross core loans and advances to customers</b>	<b>7 574 356</b>	<b>7 808 991</b>
Current loans and advances to customers	7 539 409	6 707 975
Past due loans and advances to customers (1 – 60 days)	65 880	73 489
Special mention loans and advances to customers	5 354	42 556
Default loans and advances to customers	313 934	400 114
<b>Gross core loans and advances to customers</b>	<b>7 924 577</b>	<b>7 224 134</b>
Current loans and advances to customers	7 539 409	6 707 975
Default loans that are current and not impaired	29 639	26 785
Gross core loans and advances to customers that are past due but not impaired	99 354	146 428
Gross core loans and advances to customers that are impaired	256 175	342 946
<b>Gross core loans and advances to customers</b>	<b>7 924 577</b>	<b>7 224 134</b>
<b>Total income statement charge for impairments on core loans and advances</b>	<b>(85 954)</b>	<b>(90 709)</b>
Gross default loans and advances to customers	313 934	400 114
Specific impairments	(121 791)	(154 262)
Portfolio impairments	(21 400)	(34 182)
<b>Defaults net of impairments</b>	<b>170 743</b>	<b>211 670</b>
Aggregate collateral and other credit enhancements on defaults	202 524	280 697
<b>Net default loans and advances to customers (limited to zero)</b>	<b>–</b>	<b>–</b>
<b>Ratios:</b>		
Total impairments as a % of gross core loans and advances to customers	1.81%	2.61%
Total impairments as a % of gross default loans	45.61%	47.10%
Gross defaults as a % of gross core loans and advances to customers	3.96%	5.54%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.19%	3.01%
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 core gross loans and advances)	1.13%	1.16%





(continued)

## AN ANALYSIS OF CORE LOANS AND ADVANCES BY RISK CATEGORY AT 31 MARCH 2016

£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments <sup>^</sup>
<b>Lending collateralised by property</b>	<b>2 179 999</b>	<b>264 283</b>	<b>168 722</b>	<b>(101 064)</b>	<b>(75 732)</b>
<b>Commercial real estate</b>	<b>1 314 745</b>	<b>108 746</b>	<b>64 068</b>	<b>(45 030)</b>	<b>(32 441)</b>
Commercial real estate – investment	1 096 376	61 090	43 958	(17 151)	(21 155)
Commercial real estate – development	109 086	11 138	3 647	(7 491)	(634)
Commercial vacant land and planning	109 283	36 518	16 463	(20 388)	(10 652)
<b>Residential real estate</b>	<b>865 254</b>	<b>155 537</b>	<b>104 654</b>	<b>(56 034)</b>	<b>(43 291)</b>
Residential real estate – investment	298 740	72 449	55 151	(20 907)	(13 353)
Residential real estate – development	516 352	56 651	30 390	(26 854)	(24 747)
Residential vacant land and planning	50 162	26 437	19 113	(8 273)	(5 191)
<b>High net worth and other private client lending</b>	<b>1 458 552</b>	<b>19 532</b>	<b>18 650</b>	<b>(5 760)</b>	<b>(8 194)</b>
Mortgages	1 146 241	4 307	7 489	(600)	(49)
High net worth and specialised lending	312 311	15 225	11 161	(5 160)	(8 145)
<b>Corporate and other lending</b>	<b>4 286 026</b>	<b>30 119</b>	<b>15 152</b>	<b>(14 967)</b>	<b>(14 810)</b>
Acquisition finance	899 190	–	–	–	(1 284)
Asset-based lending	274 173	–	–	–	–
Fund finance	673 379	–	–	–	–
Other corporates and financial institutions and governments	766 815	–	–	–	–
Asset finance	1 205 400	11 891	5 961	(5 930)	(4 223)
Small ticket asset finance	932 865	11 891	5 961	(5 930)	(4 223)
Large ticket asset finance	272 535	–	–	–	–
Project finance	449 266	3 708	3 708	–	(2 699)
Resource finance	17 803	14 520	5 483	(9 037)	(6 604)
<b>Portfolio impairments</b>				<b>(21 400)</b>	<b>12 782</b>
<b>Total</b>	<b>7 924 577</b>	<b>313 934</b>	<b>202 524</b>	<b>(143 191)</b>	<b>(85 954)</b>

<sup>^</sup> Where a positive number represents a recovery or provision released.



## Risk management

(continued)

### AN ANALYSIS OF CORE LOANS AND ADVANCES BY RISK CATEGORY AT 31 MARCH 2015

£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments <sup>^</sup>
<b>Lending collateralised by property</b>	<b>2 318 053</b>	<b>343 229</b>	<b>233 676</b>	<b>(134 451)</b>	<b>(49 179)</b>
<b>Commercial real estate</b>	<b>1 510 506</b>	<b>122 886</b>	<b>79 588</b>	<b>(51 517)</b>	<b>(25 358)</b>
Commercial real estate – investment	1 229 217	58 142	50 302	(11 752)	(16 157)
Commercial real estate – development	147 707	20 129	6 544	(13 585)	(3 997)
Commercial vacant land and planning	133 582	44 615	22 742	(26 180)	(5 204)
<b>Residential real estate</b>	<b>807 547</b>	<b>220 343</b>	<b>154 088</b>	<b>(82 934)</b>	<b>(23 821)</b>
Residential real estate – investment	292 089	53 911	50 294	(10 756)	(3 178)
Residential real estate – development	425 258	116 163	74 975	(50 571)	(9 122)
Residential vacant land and planning	90 200	50 269	28 819	(21 607)	(11 521)
<b>High net worth and other private client lending</b>	<b>1 203 497</b>	<b>30 113</b>	<b>29 012</b>	<b>(11 048)</b>	<b>(10 529)</b>
Mortgages	952 625	7 977	13 015	(914)	(713)
High net worth and specialised lending	250 872	22 136	15 997	(10 134)	(9 816)
<b>Corporate and other lending</b>	<b>3 702 584</b>	<b>26 772</b>	<b>18 009</b>	<b>(8 763)</b>	<b>(11 821)</b>
Acquisition finance	731 195	–	–	–	1 231
Asset-based lending	216 424	–	–	–	–
Fund finance	495 037	–	–	–	–
Other corporates and financial institutions and governments	719 049	–	–	–	(3 091)
Asset finance	1 119 165	8 346	3 642	(4 704)	(5 068)
Small ticket asset finance	835 773	8 346	3 642	(4 704)	(5 068)
Large ticket asset finance	283 392	–	–	–	–
Project finance	407 577	4 289	2 585	(1 704)	(515)
Resource finance	14 137	14 137	11 782	(2 355)	(4 378)
<b>Portfolio impairments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(34 182)</b>	<b>(19 180)</b>
<b>Total</b>	<b>7 224 134</b>	<b>400 114</b>	<b>280 697</b>	<b>(188 444)</b>	<b>(90 709)</b>

<sup>^</sup> Where a positive number represents a recovery or provision released.



CAPITAL STRUCTURE AND CAPITAL ADEQUACY

£'million	31 March 2016	31 March 2015
<b>Tier 1 capital</b>		
Shareholder's equity	1 793	1 734
Shareholder's equity per balance sheet	1 844	1 800
Foreseeable dividends	(34)	(15)
Deconsolidation of special purpose entities	(17)	(51)
Non-controlling interests	(1)	–
Non-controlling interests per balance sheet	(1)	1
Non-controlling interests in deconsolidated entities	–	(1)
Regulatory adjustments to the accounting basis	(6)	(15)
Additional value adjustments	(6)	(15)
Deductions	(386)	(394)
Goodwill and intangible assets net of deferred tax	(374)	(382)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(8)	(8)
Securitisation positions	(4)	(4)
<b>Common equity tier 1 capital</b>	<b>1 400</b>	<b>1 325</b>
<b>Tier 1 capital</b>	<b>1 400</b>	<b>1 325</b>
<b>Tier 2 capital</b>	<b>590</b>	<b>590</b>
Tier 2 instruments	590	590
<b>Total regulatory capital</b>	<b>1 990</b>	<b>1 915</b>
<b>Risk-weighted assets</b>	<b>11 738</b>	<b>10 967</b>
<b>Capital ratios</b>		
Common equity tier 1 ratio	11.9%	12.1%
Tier 1 ratio	11.9%	12.1%
Total capital ratio	17.0%	17.5%



CAPITAL REQUIREMENTS

£'million	31 March 2016	31 March 2015
<b>Capital requirements</b>	<b>939</b>	<b>878</b>
Credit risk – prescribed standardised exposure classes	698	634
Corporates	338	285
Secured on real estate property	150	133
Retail	44	36
Institutions	35	33
Other exposure classes	122	136
Securitisation exposures	9	11
Equity risk – standardised approach	8	11
Listed equities	3	4
Unlisted equities	5	7
Counterparty credit risk	41	35
Credit valuation adjustment risk	5	4
Market risk	74	71
Interest rate	27	26
Foreign exchange	21	17
Equities	16	23
Options	10	5
Operational risk – standardised approach	113	123
<b>Risk-weighted assets (banking and trading)</b>	<b>11 738</b>	<b>10 967</b>
Credit risk – prescribed standardised exposure classes	8 720	7 923
Corporates	4 224	3 561
Secured on real estate property	1 876	1 657
Retail	550	450
Institutions	439	410
Other exposure classes	1 524	1 704
Securitisation exposures	107	141
Equity risk – standardised approach	102	140
Listed equities	43	52
Unlisted equities	59	88
Counterparty credit risk	518	436
Credit valuation adjustment risk	58	47
Market risk	924	888
Interest rate	332	328
Foreign exchange	261	212
Equities	201	291
Options	130	57
Operational risk – standardised approach	1 416	1 533



(continued)

## LEVERAGE

	31 March 2016	31 March 2015
Tier 1 Capital	1 400	1 325
Total exposure	18 565	17 744
Leverage ratio	7.5%	7.5%

## A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

	31 March 2016*	31 March 2015*
Common equity tier 1 (as reported)	11.9%	12.1%
Common equity tier 1 ("fully loaded")^^	11.9%	12.1%
Tier 1 (as reported)	11.9%	12.1%
Total capital adequacy ratio (as reported)	17.0%	17.5%
Leverage ratio** – permanent capital	7.5%	7.5%
Leverage ratio** – current	7.5%	7.5%
Leverage ratio** – ("fully loaded")^^	7.5%	7.5%

\* The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable dividends when calculating common equity tier 1 (CET1) capital as now required under the Capital Requirements Regulation (CRR) and EBA technical standards. These disclosures are different to the capital disclosures included in the Interim Report, which follows our normal basis of presentation and do not include the deduction for foreseeable dividends when calculating CET1 capital. Investec Bank plc's CET1 ratio would be 30bps (31 March 2015: 10bps) higher on this basis.

^^ Based on the group's understanding of current regulations, "fully loaded" is based on CRR requirements as fully phased in by 2022.

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

The full set of annual financial statements will be available on 30 June 2016.