



Investec Limited

2017

**Financial information
(excluding the results
of Investec plc)**

Unaudited condensed financial information
for the year ended 31 March 2017

IFRS – Rand



Out of the Ordinary®



Investec

Overview of results

For the year to 31 March	2017	2016	% change
Total operating income before impairment losses on loans and advances (R'million)	17 659	16 709	5.7%
Operating costs (R'million)	9 238	8 751	5.6%
Operating profit before goodwill and acquired intangibles (R'million)	7 762	7 438	4.4%
Headline earnings attributable to ordinary shareholders (R'million)	4 350	4 515	(3.6%)
Cost to income ratio	52.3%	52.4%	
Total capital resources (including subordinated liabilities) (R'million)	60 376	53 208	13.5%
Total shareholders equity (R'million)	46 571	41 851	11.3%
Total assets (R'million)	586 432	568 779	3.1%
Net core loans and advances (R'million)	236 225	217 958	8.4%
Customer accounts (deposits) (R'million)	303 470	279 820	8.5%
Cash and near cash balances (R'million)	117 586	124 907	(5.9%)
Funds under management (R'million)	908 242	866 923	4.8%
Capital adequacy ratio	14.1%	14.0%	
Tier 1 ratio	10.7%	10.7%	
Common equity tier 1 ratio	9.9%	9.6%	
Leverage ratio	7.3%	6.9%	
Defaults (net of impairments) as a % of net core loans and advances	1.02%	1.05%	
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)	0.29%	0.26%	
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	9.8x	10.6x	
Loans and advances to customers: customer accounts (deposits)	75.0%	74.6%	

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

Consolidated income statement

For the year to 31 March

R'million	2017	2016
Interest income	30 349	23 977
Interest expense	(23 242)	(17 491)
Net interest income	7 107	6 486
Fee and commission income	8 988	7 749
Fee and commission expense	(491)	(463)
Investment income	1 248	2 119
Share of post taxation operating profit/(loss) of associates	306	(11)*
Trading income arising from		
– customer flow	492	353
– balance sheet management and other trading activities	4	438
Other operating income	5	38*
Total operating income before impairment losses on loans and advances	17 659	16 709
Impairment losses on loans and advances	(659)	(520)
Operating income	17 000	16 189
Operating costs	(9 238)	(8 751)
Operating profit before goodwill and acquired intangibles	7 762	7 438
Impairment of goodwill	(26)	(34)
Amortisation of acquired intangibles	(51)	(39)
Profit before taxation	7 685	7 365
Taxation on operating profit before goodwill and acquired intangibles	(1 440)	(1 456)
Taxation on acquired intangibles	14	11
Profit after taxation	6 259	5 920
Profit attributable to Asset Management non-controlling interests	(156)	(129)
Profit attributable to other non-controlling interests	(1 039)	(795)
Earnings attributable to shareholders	5 064	4 996

* Share of post taxation operating profit/(loss) of associates has been disposed separately from other operating income in the prior year.

Consolidated statement of comprehensive income

For the year to 31 March

R'million	2017	2016
Profit after taxation	6 259	5 920
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*	943	(708)
Gain on realisation of available-for-sale assets recycled to the income statement*	(61)	(13)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	580	(349)
Foreign currency adjustments on translating foreign operations	(676)	1 116
Total comprehensive income	7 045	5 966
Total comprehensive income attributable to ordinary shareholders	5 399	4 631
Total comprehensive income attributable to non-controlling interests	1 195	924
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	451	411
Total comprehensive income	7 045	5 966

* Net of taxation of (R371.4 million) [2016: R477.3 million].

Headline earnings

For the year to 31 March

R'million	2017	2016
Earnings attributable to shareholders	5 064	4 996
Dividends paid to perpetual preference shareholders	(451)	(411)
Earnings attributable to ordinary shareholders	4 613	4 585
Headline adjustments:	(263)	(70)
Impairment of goodwill	26	34
Revaluation of investment properties, net of taxation*	(260)	(198)
Gain on realisation of available-for-sale assets recycled to the income statement, net of taxation*	(61)	(13)
Loss on non-current assets held for sale, net of taxation*	32	107
Headline earnings attributable to ordinary shareholders	4 350	4 515

* Taxation on headline earnings adjustments amounted to R55.1 million (2016: R16.5 million) with a R425.9 million (2016: R206.4 million) impact on earnings attributable to non-controlling interests.

Consolidated balance sheet

At 31 March R'million	2017	2016
Assets		
Cash and balances at central banks	8 353	7 801
Loans and advances to banks	35 026	29 483
Non-sovereign and non-bank cash placements	8 993	9 858
Reverse repurchase agreements and cash collateral on securities borrowed	30 567	43 317
Sovereign debt securities	47 822	41 325
Bank debt securities	7 758	15 117
Other debt securities	12 028	11 753
Derivative financial instruments	9 842	15 839
Securities arising from trading activities	14 320	12 566
Investment portfolio	6 502	4 683
Loans and advances to customers	227 552	208 720
Own originated loans and advances to customers securitised	8 673	9 238
Other loans and advances	310	367
Other securitised assets	173	201
Interests in associated undertakings	5 514	5 145
Deferred taxation assets	738	572
Other assets	12 040	9 596
Property and equipment	762	729
Investment properties	18 688	18 167
Goodwill	211	238
Intangible assets	508	524
Non-current assets held for sale	456	–
	456 836	445 239
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	129 596	123 540
	586 432	568 779
Liabilities		
Deposits by banks	35 433	40 063
Derivative financial instruments	12 558	13 424
Other trading liabilities	14 134	15 441
Repurchase agreements and cash collateral on securities lent	7 825	16 916
Customer accounts (deposits)	303 470	279 820
Debt securities in issue	8 938	12 779
Liabilities arising on securitisation of own originated loans and advances	1 511	1 810
Current taxation liabilities	1 413	1 084
Deferred taxation liabilities	238	457
Other liabilities	10 940	10 237
	396 460	392 031
Liabilities to customers under investment contracts	129 554	123 508
Insurance liabilities, including unit-linked liabilities	42	32
	526 056	515 571
Subordinated liabilities	13 805	11 357
	539 861	526 928
Equity		
Ordinary share capital	1	1
Share premium	11 895	10 909
Treasury shares	(1 189)	(1 249)
Other reserves	1 748	970
Retained income	23 045	20 996
	35 500	31 627
Shareholders' equity excluding non-controlling interests		
Other Additional Tier 1 securities in issue	550	550
Non-controlling interests	10 521	9 674
– Perpetual preferred securities issued by subsidiaries	1 534	1 534
– Non-controlling interests in partially held subsidiaries	8 987	8 140
	46 571	41 851
Total equity	46 571	41 851
Total liabilities and equity	586 432	568 779

Condensed consolidated statement of changes in equity

For the year to 31 March R'million	2017	2016
Balance at the beginning of the year	41 851	35 526
Total comprehensive income	7 045	5 966
Share-based payments adjustments	549	592
Dividends paid to ordinary shareholders	(1 975)	(1 589)
Dividends paid to other equity holders including other Additional Tier 1 securities	(256)	(234)
Dividends paid to perpetual preference shareholders included in non-controlling interests	(195)	(177)
Dividends paid to non-controlling interests	(638)	(611)
Issue of ordinary shares	986	612
Movement in non-controlling interests due to share issues in subsidiary	286	3 213
Partial disposal of group operations	85	34
Movement of treasury shares	(1 165)	(1 481)
Other equity movements	(2)	-
Balance at the end of the year	46 571	41 851

Segmental business analysis – income statement

For the year to 31 March 2017 R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	92	134	6 881	–	7 107
Net fee and commission income	3 233	1 385	3 879	–	8 497
Investment income	2	2	1 244	–	1 248
Share of post taxation operating profit of associates	–	–	306	–	306
Trading income arising from					
– customer flow	–	5	487	–	492
– balance sheet management and other trading activities	(18)	(3)	25	–	4
Other operating income	5	–	–	–	5
Total operating income before impairment on loans and advances	3 314	1 523	12 822	–	17 659
Impairment losses on loans and advances	–	–	(659)	–	(659)
Operating income	3 314	1 523	12 163	–	17 000
Operating costs	(1 963)	(1 009)	(6 033)	(233)	(9 238)
Operating profit before goodwill, acquired intangibles and non-controlling interests	1 351	514	6 130	(233)	7 762
Profit attributable to non-controlling interests	(156)	–	(1 039)	–	(1 195)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	1 195	514	5 091	(233)	6 567
Cost to income ratio	59.2%	66.3%	47.1%	n/a	52.3%
Total assets (R'million)	131 370	15 561	439 501	n/a	586 432

For the year to 31 March 2016 R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	74	66	6 346	–	6 486
Net fee and commission income	2 895	1 329	3 062	–	7 286
Investment income	1	6	2 112	–	2 119
Share of post taxation operating loss of associates	–	–	(11)	–	(11)*
Trading income arising from					
– customer flow	–	–	353	–	353
– balance sheet management and other trading activities	–	6	432	–	438
Other operating income	35	–	3	–	38*
Total operating income before impairment on loans and advances	3 005	1 407	12 297	–	16 709
Impairment losses on loans and advances	–	–	(520)	–	(520)
Operating income	3 005	1 407	11 777	–	16 189
Operating costs	(1 812)	(942)	(5 776)	(221)	(8 751)
Operating profit before goodwill, acquired intangibles and non-controlling interests	1 193	465	6 001	(221)	7 438
Profit attributable to non-controlling interests	(129)	–	(795)	–	(924)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	1 064	465	5 206	(221)	6 514
Cost to income ratio	60.3%	67.0%	47.0%	n/a	52.4%
Total assets (R'million)	126 114	16 742	425 923	n/a	568 779

* Share of post taxation operating profit/(loss) of associates has been disposed separately from other operating income in the prior year.

Additional income statement note disclosures

Net interest income

For the year to 31 March R'million	Notes	2017		2016	
		Balance sheet value	Interest income	Balance sheet value	Interest income
		Cash, near cash and bank debt and sovereign debt securities	1	138 519	7 244
Core loans and advances	2	236 225	21 639	217 958	17 146
Private client		157 854	14 529	144 870	11 404
Corporate, institutional and other clients		78 371	7 110	73 088	5 742
Other debt securities and other loans and advances		12 338	1 060	12 121	610
Other interest-earning assets	3	173	406	201	156
Total interest-earning assets		387 255	30 349	377 181	23 977

For the year to 31 March R'million	Notes	2017		2016	
		Balance sheet value	Interest expense	Balance sheet value	Interest expense
		Deposits by banks and other debt-related securities	4	52 196	(2 151)
Customer accounts (deposits)		303 470	(19 797)	279 820	(14 582)
Other interest-bearing liabilities	5	1 511	(240)	1 810	(321)
Subordinated liabilities		13 805	(1 054)	11 357	(807)
Total interest-bearing liabilities		370 982	(23 242)	362 744	(17 491)
Net interest income			7 107		6 486
Net interest margin			1.86%**		1.90%**

Notes:

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets.
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 balance sheet) liabilities arising on securitisation of own originated loans and advances.

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

Additional income statement note disclosures

(continued)

Net fee and commission income

For the year to 31 March 2017

R'million

	2017	2016
Asset management and wealth management businesses net fee and commission income	4 618	4 224
Fund management fees/fees for assets under management	4 056	3 689
Private client transactional fees	717	716
Fee and commission expense	(155)	(181)
Specialist Banking net fee and commission income	3 879	3 062
Corporate and institutional transactional and advisory services	3 536	2 704
Private client transactional fees	679	640
Fee and commission expense	(336)	(282)
Net fee and commission income	8 497	7 286
Annuity fees (net of fees payable)	6 945	5 694
Deal fees	1 552	1 592

Investment income

For the year to 31 March

R'million

	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2017					
Realised	361	127	373	43	904
Unrealised [^]	(298)	35	354	(83)	8
Dividend income	337	–	–	9	346
Funding and other net related (costs)/income	(68)	–	–	58	(10)
Total investment income	332	162	727	27	1 248
2016					
Realised	5 251	63	186	20	5 520
Unrealised [^]	(3 707)	51	263	(6)	(3 399)
Dividend income	267	–	–	–	267
Funding and other net related (costs)/income	(290)	–	–	21	(269)
Total investment income	1 521	114	449	35	2 119

* 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.

Additional IAS 34 disclosures

Analysis of assets and liabilities by measurement basis

At 31 March 2017 R'million	Total instruments at fair value	Total instruments at amortised cost	Insurance- related linked instruments at fair value	Non-financial instruments or scoped out of IAS 39	Total
Assets					
Cash and balances at central banks	–	8 353	–	–	8 353
Loans and advances to banks	1 197	33 829	–	–	35 026
Non-sovereign and non-bank cash placements	–	8 993	–	–	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	18 383	12 184	–	–	30 567
Sovereign debt securities	44 491	3 331	–	–	47 822
Bank debt securities	5 498	2 260	–	–	7 758
Other debt securities	10 010	2 018	–	–	12 028
Derivative financial instruments	9 842	–	–	–	9 842
Securities arising from trading activities	14 320	–	–	–	14 320
Investment portfolio	6 502	–	–	–	6 502
Loans and advances to customers	14 011	213 541	–	–	227 552
Own originated loans and advances to customers securitised	–	8 673	–	–	8 673
Other loans and advances	–	310	–	–	310
Other securitised assets	–	173	–	–	173
Interests in associated undertakings	–	–	–	5 514	5 514
Deferred taxation assets	–	–	–	738	738
Other assets	1 387	6 804	–	3 849	12 040
Property and equipment	–	–	–	762	762
Investment properties	–	–	–	18 688	18 688
Goodwill	–	–	–	211	211
Intangible assets	–	–	–	508	508
Non-current assets held for sale	456	–	–	–	456
	126 097	300 469	–	30 270	456 836
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	129 596	–	129 596
	126 097	300 469	129 596	30 270	586 432
Liabilities					
Deposits by banks	–	35 433	–	–	35 433
Derivative financial instruments	12 558	–	–	–	12 558
Other trading liabilities	14 134	–	–	–	14 134
Repurchase agreements and cash collateral on securities lent	1 018	6 807	–	–	7 825
Customer accounts (deposits)	34 316	269 154	–	–	303 470
Debt securities in issue	3 707	5 231	–	–	8 938
Liabilities arising on securitisation of own originated loans and advances	–	1 511	–	–	1 511
Current taxation liabilities	–	–	–	1 413	1 413
Deferred taxation liabilities	–	–	–	238	238
Other liabilities	735	4 648	–	5 557	10 940
	66 468	322 784	–	7 208	396 460
Liabilities to customers under investment contracts	–	–	129 554	–	129 554
Insurance liabilities, including unit-linked liabilities	–	–	42	–	42
	66 468	322 784	129 596	7 208	526 056
Subordinated liabilities	–	13 805	–	–	13 805
	66 468	336 589	129 596	7 208	539 861

Additional IAS 34 disclosures

(continued)

Financial instruments carried at fair value

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Assets and liabilities related to the long-term assurance business attributable to policyholders are categorised as level 1 in the fair value category.

At 31 March 2017 R'million	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Assets				
Loans and advances to banks	1 197	1 197	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	18 383	2 955	15 428	–
Sovereign debt securities	44 491	44 491	–	–
Bank debt securities	5 498	4 108	1 390	–
Other debt securities	10 010	6 437	3 465	108
Derivative financial instruments	9 842	–	9 832	10
Securities arising from trading activities	14 320	14 245	75	–
Investment portfolio	6 502	2 687	575	3 240
Loans and advances to customers	14 011	–	14 011	–
Other assets	1 387	1 387	–	–
Non-current assets held for sale	456	–	–	456
	126 097	77 507	44 776	3 814
Liabilities				
Derivative financial instruments	12 558	–	12 558	–
Other trading liabilities	14 134	12 817	1 317	–
Repurchase agreements and cash collateral on securities lent	1 018	–	1 018	–
Customer accounts (deposits)	34 316	–	34 316	–
Debt securities in issue	3 707	–	3 707	–
Other liabilities	735	–	735	–
	66 468	12 817	53 651	–
Net financial assets/(liabilities) at fair value	59 269	64 690	(8 875)	3 814

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value category in the current year.

Additional IAS 34 disclosures

(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. All instruments are at fair value through profit or loss:

R'million	2017
Balance as at 1 April 2016	2 797
Total gains recognised in the income statement	43
Purchases	1 226
Sales	(44)
Transfers into level 3	112
Transfers out of level 3	(297)
Foreign exchange adjustments	(23)
Balance as at 31 March 2017	3 814

During the year, a level 3 investment of R297 million has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition, R112 million has been transferred into level 3 due to inputs becoming unobservable.

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

For the year to 31 March 2017 R'million	Total	Realised	Unrealised
Total gains/(losses) included in the income statement for the year			
Investment income/(loss)	43	8	35
	43	8	35

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2017	Balance sheet value	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Reflected in the income statement	
					Favourable changes	Unfavourable changes
Assets						
Other debt securities	108	Price earnings Comparable	Price earnings multiple	(10)%/10%	16	(2)
Derivative financial instruments	10	sales	Property prices	(10)%/10%	1	(1)*
Investment portfolio	3 240	Price earnings	EBITDA	*	665	(740)
		Discount cash flow	Precious and industrial metal prices	(10)%/10%	350	(294)
		Other	Various	**	258	(289)
			Price earnings multiple		57	(157)
Non-current assets held for sale	456	Price earnings	Price earnings multiple	(10)%/10%	65	(58)
Total	3 814				747	(801)

* The EBITDA has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.

** The valuation sensitivity for certain equity investments has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single inputs. Its is deemed appropriate to reflect the outcome on a portfolio basis for the purpose of this analysis as the sensitivity of the investments cannot be determined through the adjustment of single input.

In determining the value of level 3 financial instruments, the following is a principal input that can require judgement:

Price-earnings multiple

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

EBITDA

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

Precious and industrial metals

The price of precious and industrial metals is a key driver of future cash flows on these investments.

Additional IAS 34 disclosures

(continued)

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	Valuation basis/techniques	Main assumptions
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model	Yield curve
Securities arising from trading activities	Adjusted quoted price	Liquidity adjustment
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Swap curves and discount rates
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

Fair value of financial assets and liabilities at amortised cost

At 31 March 2017

R'million

	Carrying amount	Fair value
Assets		
Cash and balances at central banks	8 353	8 353
Loans and advances to banks	33 829	33 829
Non-sovereign and non-bank cash placements	8 993	8 993
Reverse repurchase agreements and cash collateral on securities borrowed	12 184	12 184
Sovereign debt securities	3 331	3 248
Bank debt securities	2 260	2 301
Other debt securities	2 018	2 029
Loans and advances to customers	213 541	213 660
Own originated loans and advances to customers securitised	8 673	8 673
Other loans and advances	310	310
Other securitised assets	173	173
Other assets	6 804	6 043
	300 469	299 796
Liabilities		
Deposits by banks	35 433	35 790
Repurchase agreements and cash collateral on securities lent	6 807	6 843
Customer accounts (deposits)	269 154	269 974
Debt securities in issue	5 231	5 235
Liabilities arising on securitisation of own originated loans and advances	1 511	1 511
Other liabilities	4 648	4 648
Subordinated liabilities	13 805	14 562
	336 589	338 563

An analysis of our core loans and advances, asset quality and impairments

Core loans and advances comprise:

- Loans and advances to customers as per the balance sheet
- Own originated loans and advances to customers securitised as per the balance sheet.

At 31 March R'million

	2017	2016
Loans and advances to customers as per the balance sheet	227 552	208 720
Add: Own originated loans and advances securitised as per the balance sheet	8 673	9 238
Net core loans and advances to customers	236 225	217 958

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers.

At 31 March R'million

	2017	2016
Gross core loans and advances to customers	237 435	218 874
Total impairments	(1 210)	(916)
Specific impairments	(884)	(681)
Portfolio impairments	(326)	(235)
Net core loans and advances to customers	236 225	217 958
Average gross core loans and advances to customers	228 155	201 038
Current loans and advances to customers	232 902	214 511
Past due loans and advances to customers (1 – 60 days)	673	734
Special mention loans and advances to customers	244	415
Default loans and advances to customers	3 616	3 214
Gross core loans and advances to customers	237 435	218 874
Current loans and advances to customers	232 902	214 511
Default loans that are current and not impaired	132	867
Gross core loans and advances to customers that are past due but not impaired	1 936	1 664
Gross core loans and advances to customers that are impaired	2 465	1 832
Gross core loans and advances to customers	237 435	218 874
Total income statement charge for impairments on core loans and advances	(661)	(526)
Gross default loans and advances to customers	3 616	3 214
Specific impairments	(884)	(681)
Portfolio impairments	(326)	(235)
Defaults net of impairments	2 406	2 298
Aggregate collateral and other credit enhancements on defaults	4 343	3 700
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.51%	0.42%
Total impairments as a % of gross default loans	33.46%	28.50%
Gross defaults as a % of gross core loans and advances to customers	1.52%	1.47%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.02%	1.05%
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)	0.29%	0.26%

Risk management

(continued)

An analysis of core loans and advances by risk category at 31 March 2017

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	40 552	990	1 158	(214)	(93)
Commercial real estate	36 532	615	781	(151)	(53)
Commercial real estate – investment	33 660	546	653	(133)	(74)
Commercial real estate – development	1 868	–	1	–	11
Commercial vacant land and planning	1 004	69	127	(18)	10
Residential real estate	4 020	375	377	(63)	(40)
Residential real estate – development	2 661	310	313	(42)	(42)
Residential vacant land and planning	1 359	65	64	(21)	2
High net worth and other private client lending	117 883	1 524	2 231	(146)	(284)
Mortgages	61 384	725	998	(60)	(24)
High net worth and specialised lending	56 499	799	1 233	(86)	(260)
Corporate and other lending	79 000	1 102	954	(524)	(182)
Acquisition finance	13 357	582	534	(132)	(55)
Asset-based lending	5 936	176	285	(148)	(41)
Fund finance	5 548	–	–	–	4
Other corporate and financial institutions and governments	43 986	139	135	(72)	(32)
Asset finance	2 697	26	–	–	(9)
Small ticket asset finance	2 142	–	–	–	(9)
Large ticket asset finance	555	26	–	–	–
Project finance	6 414	–	–	–	1
Resource finance	1 062	179	–	(172)	(50)
Portfolio impairments	–	–	–	(326)	(102)
Total	237 435	3 616	4 343	(1 210)	(661)

[^] Where a positive number represents a recovery.

An analysis of core loans and advances by risk category at 31 March 2016

R'million	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	41 077	971	1 156	(135)	(85)
Commercial real estate	37 677	501	666	(93)	(91)
Commercial real estate – investment	34 179	366	482	(63)	(68)
Commercial real estate – development	2 385	31	24	(10)	–
Commercial vacant land and planning	1 113	104	160	(20)	(23)
Residential real estate	3 400	470	490	(42)	6
Residential real estate – development	1 668	194	217	(2)	(61)
Residential vacant land and planning	1 732	276	273	(40)	67
High net worth and other private client lending	104 288	1 507	2 177	(171)	(225)
Mortgages	55 763	502	849	(40)	(37)
High net worth and specialised lending	48 525	1 005	1 328	(131)	(188)
Corporate and other lending	73 509	736	367	(376)	(150)
Acquisition finance	14 664	329	286	(70)	(72)
Asset-based lending	5 211	165	56	(143)	(51)
Fund finance	3 668	–	–	–	–
Other corporate and financial institutions and governments	38 141	26	25	(13)	–
Asset finance	4 081	–	–	–	–
Small ticket asset finance	1 421	–	–	–	–
Large ticket asset finance	2 660	–	–	–	–
Project finance	6 424	–	–	–	123
Resource finance	1 320	216	–	(150)	(150)
Portfolio impairments	–	–	–	(234)	(66)
Total	218 874	3 214	3 700	(916)	(526)

[^] Where a positive number represents a recovery.

Capital adequacy

Capital structure and capital adequacy

R'million	31 March 2017 [^]	31 March 2016 [^]
Tier 1 capital		
Shareholders' equity	32 317	28 444
Shareholders' equity per balance sheet	35 500	31 627
Perpetual preference share capital and share premium	(3 183)	(3 183)
Non-controlling interests	–	–
Non-controlling interests per balance sheet	8 987	8 140
Non-controlling interests excluded for regulatory purposes	(8 987)	(8 140)
Regulatory adjustments to the accounting basis	900	1 842
Cash flow hedging reserve	900	1 842
Deductions	(720)	(762)
Goodwill and intangible assets net of deferred tax	(720)	(762)
Common equity tier 1 capital	32 497	29 524
Additional tier 1 capital	2 900	3 418
Additional tier 1 instruments	5 267	5 267
Phase out of non-qualifying additional tier 1 instruments	(2 359)	(1 887)
Non-qualifying surplus capital attributable to non-controlling interests	(69)	(36)
Minority interest in non-banking entities	61	74
Tier 1 capital	35 397	32 942
Tier 2 capital	11 153	10 253
Collective impairment allowances	321	229
Tier 2 instruments	13 805	11 357
Phase out of non-qualifying tier 2 instruments	–	(235)
Non-qualifying surplus capital attributable to non-controlling interests	(2 973)	(1 098)
Total regulatory capital	46 550	43 195
Risk-weighted assets	329 808	309 052
Capital ratios		
Common equity tier 1 ratio	9.9%	9.6%
Tier 1 ratio	10.7%	10.7%
Total capital adequacy ratio	14.1%	14.0%
Leverage ratio	7.3%	6.9%

[^] Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 24bps lower (March 2016: 16bps lower).

Capital adequacy

(continued)

Capital requirements

R'million	31 March 2017	31 March 2016
Capital requirements	35 454	32 064
Credit risk – prescribed standardised exposure classes	26 008	23 978
Corporates	12 699	13 402
Secured on real estate property	3 102	2 943
Short-term claims on institutions and corporates	8 039	4 905
Retail	566	483
Institutions	623	813
Other exposure classes	751	1 028
Securitisation exposures	228	404
Equity risk	4 900	4 104
Listed equities	557	334
Unlisted equities	4 343	3 770
Counterparty credit risk	574	569
Credit valuation adjustment risk	195	185
Market risk	500	501
Interest rate	99	66
Foreign exchange	103	212
Commodities	3	5
Equities	295	218
Operational risk – standardised approach	3 277	2 727
Risk-weighted assets	329 808	309 052
Credit risk – prescribed standardised exposure classes	241 926	231 113
Corporates	118 130	129 178
Secured on real estate property	28 856	28 361
Short-term claims on institutions and corporates	74 784	47 273
Retail	5 261	4 660
Institutions	5 792	7 838
Other exposure classes	6 984	9 910
Securitisation exposures	2 119	3 893
Equity risk	45 583	39 560
Listed equities	5 185	3 219
Unlisted equities	40 398	36 341
Counterparty credit risk	5 344	5 486
Credit valuation adjustment risk	1 817	1 783
Market risk	4 652	4 825
Interest rate	924	636
Foreign exchange	955	2 039
Commodities	29	46
Equities	2 744	2 104
Operational risk – standardised approach	30 486	26 285

Capital adequacy

(continued)

A summary of capital adequacy and leverage ratios

	31 March [^] 2017	31 March [^] 2016
Common equity tier 1 (as reported)	9.9%	9.6%
Common equity tier 1 ('fully loaded') ^{^^}	9.9%	9.6%
Tier 1 (as reported)	10.7%	10.7%
Total capital adequacy ratio (as reported)	14.1%	14.0%
Leverage ratio ^{**} – permanent capital	7.8% [#]	7.4% [#]
Leverage ratio ^{**} – current	7.3% [#]	6.9% [#]
Leverage ratio ^{**} – ('fully loaded') ^{^^}	6.8% [#]	6.3% [#]

Reconciliation of leverage ratios

R'million	31 March 2017	31 March 2016
Total assets per accounting balance sheet	586 432	568 779
Deconsolidation of non-financial/other entities	(129 596)	(123 540)
Consolidation of banking associates	–	–
Total assets per regulatory balance sheet	456 836	445 239
Reversal of accounting values:		
Derivatives	(9 842)	(15 839)
Securities financing transaction	(30 567)	–
Regulatory adjustments:	67 348	48 622
Derivatives market value	6 301	9 075
Derivative add-on amounts per the mark-to-market method	3 471	3 073
Securities financing transaction add-on for counterparty credit risk	24 045	389
Off-balance sheet items	34 249	37 595
Add-on for written credit derivatives	–	–
Exclusion of items already deducted from the capital measure	(718)	(1 510)
Exposure measure	483 775	478 022
Tier 1 capital	35 397	32 942
Leverage ratio^{**} – current	7.3%[#]	6.9%[#]
Tier 1 capital 'fully loaded'	33 108	30 147
Leverage ratio^{**} – 'fully loaded'^{^^}	6.8%[#]	6.3%[#]

^{^^} Based on the group's understanding of current and draft regulations. 'fully loaded' is based on Basel III capital requirements as fully phased in by 2022.

^{**} The leverage ratios are calculated on an end-quarter basis.

[#] Based on revised BIS rules.

[^] Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from the capital information, Investec Limited's common equity tier 1 ratio would be 24bps lower (2016: 16bps lower).

The full set of annual financial statements will be available on 30 June 2017.