



Investec plc

(excluding the results of Investec Limited)

Unaudited consolidated financial
information for the year ended
31 March 2017

IFRS – Pounds Sterling

2017



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 (£'000)	1 306 941	1 128 374	15.8%
Operating costs (£'000)	1 005 130	863 648	16.4%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests (£'000)	224 894	182 863	23.0%
Earnings attributable to ordinary shareholders (£'000)	159 728	122 684	30.2%
Cost to income ratio	77.0%	76.7%	
Total capital resources (including subordinated liabilities) (£'000)	2 610 875	2 478 117	5.4%
Total shareholders' equity (£'000)	2 031 519	1 880 808	8.0%
Total assets (£'000)	18 788 617	18 756 588	0.2%
Net core loans and advances (£'000)	8 620 742	7 803 602	10.5%
Customer accounts (deposits) (£'000)	11 021 581	10 808 980	2.0%
Cash and near cash balances (£'000)	5 026 198	5 082 338	(1.1%)
Funds under management (£million)	97 320	81 180	19.9%
Capital adequacy ratio	14.6%	14.7%	
Tier 1 ratio	11.1%	10.3%	
Common equity tier 1 ratio	10.9%	9.3%	
Leverage ratio	7.5%	6.7%	
Leverage ratio – 'fully loaded'	7.4%	6.1%	
Defaults (net of impairments) as a % of net core loans and advances	1.55%	2.19%	
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)	0.90%	1.13%	
Total gearing (i.e. total assets to total equity)	9.2x	10.0x	
Loans and advances to customers: customer accounts (deposits)	78.2%	72.2%	

Consolidated income statement

For the year to 31 March

£'000	2017	2016
Interest income	563 354	549 092
Interest expense	(274 173)	(288 147)
Net interest income	289 181	260 945
Fee and commission income	932 146	813 744
Fee and commission expense	(128 283)	(103 986)
Investment income	59 975	62 120
Share of post taxation operating profit of associate	2 349	2 321
Trading income arising from		
– customer flow	129 706	92 681
– balance sheet management and other trading activities	8 672	(7 983)
Other operating income	13 195	8 532
Total operating income before impairment losses on loans and advances	1 306 941	1 128 374
Impairment losses on loans and advances	(74 956)	(84 217)
Operating income	1 231 985	1 044 157
Operating costs	(1 005 130)	(863 648)
Depreciation on operating leased assets	(2 141)	(2 149)
Operating profit before goodwill and acquired intangibles	224 714	178 360
Impairment of goodwill	(3 134)	–
Amortisation of acquired intangibles	(14 386)	(14 477)
Operating profit	207 194	163 883
Net loss on disposal of subsidiaries	–	(4 805)
Profit before taxation	207 194	159 078
Taxation on operating profit before goodwill and acquired intangibles	(39 144)	(35 335)
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	3 305	4 701
Profit after taxation	171 355	128 444
Profit attributable to Asset Management non-controlling interests	(11 807)	(10 263)
Losses attributable to other non-controlling interests	180	4 503
Earnings attributable to shareholders	159 728	122 684

Consolidated statement of total comprehensive income

For the year to 31 March

£'000

	2017	2016
Profit after taxation	171 355	128 444
Other comprehensive income/(loss):		
Items that may be reclassified to the income statement		
Gains on realisation of available-for-sale assets recycled through the income statement*	(2 622)	(1 298)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	29 809	(20 268)
Foreign currency adjustments on translating foreign operations	37 139	5 304
Items that will never be reclassified to the income statement		
Remeasurement of net defined benefit pension asset	(43 580)	4 738
Total comprehensive income	192 101	116 920
Total comprehensive income attributable to non-controlling interests	11 253	5 652
Total comprehensive income attributable to ordinary shareholders	178 986	98 009
Total comprehensive income attributable to perpetual preferred securities	1 862	13 259
Total comprehensive income	192 101	116 920

* Net of taxation.

Consolidated balance sheet

At 31 March £'000	2017	2016
Assets		
Cash and balances at central banks	2 853 571	2 638 069
Loans and advances to banks	1 130 998	1 112 441
Reverse repurchase agreements and cash collateral on securities borrowed	536 173	557 025
Sovereign debt securities	952 902	1 252 991
Bank debt securities	184 626	188 397
Other debt securities	398 278	393 652
Derivative financial instruments	604 175	837 558
Securities arising from trading activities	522 760	524 344
Investment portfolio	459 745	451 000
Loans and advances to customers	8 620 742	7 803 602
Other loans and advances	413 430	417 205
Other securitised assets	138 628	150 565
Interests in associated undertakings	63 390	23 587
Deferred taxation assets	89 941	85 050
Other assets	1 276 132	1 705 203
Property and equipment	60 528	56 374
Investment properties	14 500	79 051
Goodwill	355 155	356 994
Intangible assets	112 943	123 480
	18 788 617	18 756 588
Liabilities		
Deposits by banks	690 749	544 210
Derivative financial instruments	582 600	964 362
Other trading liabilities	136 041	226 598
Repurchase agreements and cash collateral on securities lent	223 997	281 260
Customer accounts (deposits)	11 021 581	10 808 980
Debt securities in issue	1 955 447	1 828 819
Liabilities arising on securitisation of other assets	128 838	120 617
Current taxation liabilities	143 585	140 959
Deferred taxation liabilities	26 236	33 834
Other liabilities	1 268 668	1 328 832
	16 177 742	16 278 471
Subordinated liabilities	579 356	597 309
	16 757 098	16 875 780
Equity		
Ordinary share capital	191	182
Perpetual preference share capital	29	151
Share premium	1 246 282	1 194 257
Treasury shares	(90 411)	(81 309)
Other reserves	(45 381)	(66 757)
Retained income	905 809	820 967
Shareholders' equity excluding non-controlling interests	2 016 519	1 867 491
Non-controlling interests	15 000	13 317
Total equity	2 031 519	1 880 808
Total liabilities and equity	18 788 617	18 756 588

Statement of changes in equity

For the year to March £'000	2017	2016
Balance at the beginning of the year	1 880 808	2 074 073
Movement in reserves		
Profit after taxation	171 355	128 444
Gains on realisation of available-for-sale assets recycled through the income statement	(2 622)	(1 298)
Fair value movements on available-for-sale assets	29 809	(20 268)
Foreign currency adjustments on translating foreign operations	37 139	5 304
Remeasurement of net defined pension asset	(43 580)	4 738
Total comprehensive loss for the year	192 101	116 920
Share-based payments adjustments	25 987	27 706
Dividends paid to ordinary shareholders	(105 727)	(103 791)
Dividends paid to perpetual preference shareholders	(1 862)	(13 259)
Dividends paid to non-controlling interests	(9 690)	(10 680)
Issue of ordinary shares	174 082	22 818
Redemption of preference shares	(81 743)	–
Acquisition/(reduction) of non-controlling interests	7 477	(142 111)
Movement of treasury shares	(49 914)	(90 868)
Balance at the end of the year	2 031 519	1 880 808

Segmental business analysis – income statement

For the year to 31 March 2017 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	111	4 368	284 702	–	289 181
Fee and commission income	427 626	268 429	236 091	–	932 146
Fee and commission expense	(119 542)	(582)	(8 159)	–	(128 283)
Investment income	–	2 169	57 806	–	59 975
Share of post taxation operating profit of associate	–	1 509	840	–	2 349
Trading income arising from					
– customer flow	–	740	128 966	–	129 706
– balance sheet management and other trading activities	3 221	215	5 236	–	8 672
Other operating income	5 313	–	7 882	–	13 195
Total operating income before impairment on loans and advances	316 729	276 848	713 364	–	1 306 941
Impairment losses on loans and advances	–	–	(74 956)	–	(74 956)
Operating income	316 729	276 848	638 408	–	1 231 985
Operating costs	(225 466)	(211 658)	(531 843)	(36 163)	(1 005 130)
Depreciation on operating leased assets	–	–	(2 141)	–	(2 141)
Operating profit/(loss) before goodwill and acquired intangibles	91 263	65 190	104 424	(36 163)	224 714
Operating loss attributable to other non-controlling interests	–	–	180	–	180
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	91 263	65 190	104 604	(36 163)	224 894
Operating profit attributable to Asset Management non-controlling interests	(11 807)	–	–	–	(11 807)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	79 456	65 190	104 604	(36 163)	213 087
Selected returns and key statistics					
Cost to income ratio	71.2%	76.5%	74.8%	n/a	77.0%
Total assets (£million)	401	952	17 437	–	18 789
For the year to 31 March 2016 £'000					
Net interest income	290	4 064	256 591	–	260 945
Fee and commission income	375 312	246 202	192 230	–	813 744
Fee and commission expense	(100 060)	(1 209)	(2 717)	–	(103 986)
Investment income	–	5 817	56 303	–	62 120
Share of post tax operating profit of associate	–	1 191	1 130	–	2 321
Trading income arising from					
– customer flow	–	333	92 348	–	92 681
– balance sheet management and other trading activities	1 656	236	(9 875)	–	(7 983)
Other operating income	(1 135)	–	9 667	–	8 532
Total operating income before impairment losses on loans and advances	276 063	256 634	595 677	–	1 128 374
Impairment losses on loans and advances	–	–	(84 217)	–	(84 217)
Operating income	276 063	256 634	511 460	–	1 044 157
Operating costs	(199 210)	(193 507)	(435 771)	(35 160)	(863 648)
Depreciation on operating leased assets	–	–	(2 149)	–	(2 149)
Operating profit/(loss) before goodwill and acquired intangibles	76 853	63 127	73 540	(35 160)	178 360
Operating loss attributable to other non-controlling interests	–	–	4 503	–	4 503
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	76 853	63 127	78 043	(35 160)	182 863
Operating profit attributable to Asset Management non-controlling interests	(10 263)	–	–	–	(10 263)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	66 590	63 127	78 043	(35 160)	172 600
Selected return and key statistic					
Cost to income ratio	72.2%	75.4%	73.4%	n/a	76.7%
Total assets (£million)	371	1 026	17 360	–	18 757

Additional income statement note disclosures

Net interest income

		2017		2016	
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	5 658 270	33 255	5 748 923	47 481
Core loans and advances	2	8 620 742	471 547	7 803 602	427 601
Private Client		3 454 366	151 645	3 510 327	150 060
Corporate, institutional and other clients		5 166 376	319 902	4 293 275	277 541
Other debt securities and other loans and advances		811 708	58 552	810 857	74 010
Total interest-earning assets		15 090 720	563 354	14 363 382	549 092

		2017		2016	
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	3	2 870 193	87 872	2 654 289	106 707
Customer accounts		11 021 581	130 419	10 808 980	124 569
Subordinated liabilities		579 356	55 882	597 309	56 871
Total interest bearing liabilities		14 471 130	274 173	14 060 578	288 147
Net interest income			289 181		260 945
Net interest margin			1.96%		1.82%

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 (as per the balance sheet) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.

Additional income statement note disclosures

(continued)

Net fee and commission income

For the year to 31 March

£'000

2017

2016

	2017	2016
Asset management and wealth management businesses net fee and commission income	575 931	520 245
Fund management fees/fees for assets under management	639 100	567 257
Private client transactional fees	56 955	54 257
Fee and commission expense	(120 124)	(101 269)
Specialist Banking net fee and commission income	227 932	189 513
Corporate and institutional transactional and advisory services	206 408	164 088
Private client transactional fees	29 683	28 142
Fee and commission expense	(8 159)	(2 717)
Net fee and commission income	803 863	709 758
Annuity fees (net of fees payable)	581 895	542 128
Deal fees	221 968	167 630

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

	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2017					
UK and Other					
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
	47 786	(3 344)	8 329	7 204	59 975
2016					
Realised	10 319	31 143	–	2 673	44 135
Unrealised [^]	15 562	(7 468)	1 282	(11 687)	(2 311)
Dividend income	15 419	–	–	–	15 419
Funding and other net related income	–	–	–	4 877	4 877
	41 300	23 675	1 282	(4 137)	62 120

* Including embedded derivatives (warrants and profit shares).

[^] In a year of realisation, any prior period mark-to-market gains/(loss) are reversed in the unrealised line item.

Additional IAS 34 disclosures

Analysis of financial assets and liabilities by category of financial instrument

At 31 March £'000	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
2017				
Assets				
Cash and balances at central banks	2 497	2 851 074	–	2 853 571
Loans and advances to banks	129 012	1 001 986	–	1 130 998
Reverse repurchase agreements and cash collateral on securities borrowed	71 028	465 145	–	536 173
Sovereign debt securities	952 902	–	–	952 902
Bank debt securities	8 067	176 559	–	184 626
Other debt securities	140 166	258 112	–	398 278
Derivative financial instruments*	604 175	–	–	604 175
Securities arising from trading activities	522 760	–	–	522 760
Investment portfolio	459 745	–	–	459 745
Loans and advances to customers	86 482	8 534 260	–	8 620 742
Other loans and advances	–	413 430	–	413 430
Other securitised assets	138 628	–	–	138 628
Interests in associated undertakings	–	–	63 390	63 390
Deferred taxation assets	–	–	89 941	89 941
Other assets	200 487	853 689	221 956	1 276 132
Property and equipment	–	–	60 528	60 528
Investment properties	–	–	14 500	14 500
Goodwill	–	–	355 155	355 155
Intangible assets	–	–	112 943	112 943
	3 315 949	14 554 255	918 413	18 788 617
Liabilities				
Deposits by banks	–	690 749	–	690 749
Derivative financial instruments*	582 600	–	–	582 600
Other trading liabilities	136 041	–	–	136 041
Repurchase agreements and cash collateral on securities lent	77 154	146 843	–	223 997
Customer accounts (deposits)	–	11 021 581	–	11 021 581
Debt securities in issue	427 576	1 527 871	–	1 955 447
Liabilities arising on securitisation of other assets	128 838	–	–	128 838
Current taxation liabilities	–	–	143 585	143 585
Deferred taxation liabilities	–	–	26 236	26 236
Other liabilities	–	868 601	400 067	1 268 668
	1 352 209	14 255 645	569 888	16 177 742
Subordinated liabilities	–	579 356	–	579 356
	1 352 209	14 835 001	569 888	16 757 098

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

Additional IAS 34 disclosures

(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	Total instruments at fair value	Valuation technique applied		
		Level 1	Level 2	Level 3
2017				
Assets				
Cash and balances at central banks	2 497	2 497	–	–
Loans and advances to banks	129 012	129 012	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	71 028	–	71 028	–
Sovereign debt securities	952 902	952 902	–	–
Bank debt securities	8 067	8 067	–	–
Other debt securities	140 166	2 147	138 019	–
Derivative financial instruments	604 175	–	545 675	58 500
Securities arising from trading activities	522 760	491 675	22 014	9 071
Investment portfolio	459 745	49 357	17 283	393 105
Loans and advances to customers	86 482	–	–	86 482
Other securitised assets	138 628	–	–	138 628
Other assets	200 487	200 487	–	–
	3 315 949	1 836 144	794 019	685 786
Liabilities				
Derivative financial instruments	582 600	1 676	579 876	1 048
Other trading liabilities	136 041	136 041	–	–
Repurchase agreements and cash collateral on securities lent	77 154	–	77 154	–
Debt securities in issue	427 576	–	414 894	12 682
Liabilities arising on securitisation of other assets	128 838	–	–	128 838
	1 352 209	137 717	1 071 924	142 568
Net assets/(liabilities)	1 963 740	1 698 427	(277 905)	543 218

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

Transfers between level 1 and level 2

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

Additional IAS 34 disclosures

(continued)

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:

	Total level 3 financial instruments	Fair value through income statement	Available- for-sale instruments
Balance as at 1 April 2016	558 539	503 020	55 519
Total gains or losses	72 550	58 374	14 176
In the income statement	74 751	58 374	16 377
In the statement of comprehensive income	(2 201)	–	(2 201)
Purchases	103 571	100 451	3 120
Sales	(164 886)	(153 377)	(11 509)
Issues	(16 226)	(16 226)	–
Settlements	(51 847)	(30 404)	(21 443)
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Foreign exchange adjustments	41 517	39 538	1 979
Balance as at 31 March 2017	543 218	501 376	41 842

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 2017

£'000	Total	Realised	Unrealised
Total gains or (losses) 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	34 490	35 034	(544)
Trading income arising from customer flow	26 661	16	26 645
Trading income arising from balance sheet management and other trading activities	37	37	–
	74 751	48 361	26 390
Total gains or (losses) included 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)

Additional IAS 34 disclosures

(continued)

For the period ended 31 March 2017, there were no significant transfers from level 3 into level 2 (31 March 2016: assets of £4.6 million). In the current and prior year the valuation methodologies were reviewed and observable inputs are used to determine the fair value.

Additionally, there were no transfers from level 2 to the level 3 category (31 March 2016: £26.3 million).

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2017 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates
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
Liabilities		
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
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model	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:

At 31 March 2017	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Un-favourable changes £'000
Assets					
Derivative financial instruments	58 500	Reflected in income statement		6 632	(4 956)
		Volatilities	4% – 9.5%	2 465	(1 537)
		EBITDA	5% – 6 %	63	–
		Cash flow adjustments	CPR 6.25% – 8.4%	648	(1 086)
		Other [^]	^	3 456	(2 333)
Securities arising from trading activities	9 071	Reflected in income statement			
		Cash flow adjustments	CPR 9%	1 290	(1 074)
Investment portfolio	393 105	Reflected in income statement		42 162	(32 069)
		Price earnings multiple	3 x – 10.3 x	5 430	(5 788)
		Other [^]	^	36 732	(26 281)
		Reflected in 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	Reflected in income statement		9 825	(9 716)
		EBITDA	10%	5 681	(5 681)
		Other	^	4 144	(4 035)
Other securitised assets*	138 628	Reflected in income statement			
		Cash flow adjustments	CPR 6.25%	48	(38)
Liabilities					
Derivative financial instruments	1 048	Reflected in income statement			
		Cash flow adjustments	CPR 8.4%	983	(794)
Liabilities arising on securitisation of other assets*	128 838	Reflected in income statement			
		Cash flow adjustments	CPR 6.25%	931	(847)
Debt securities in issue	12 682	Reflected in income statement			
		Volatilities	7%	401	(608)
Net level 3 assets	543 218			68 500	(52 757)

* 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.

Additional IAS 34 disclosures

(continued)

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

Credit spreads

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

Discount rates

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

Volatilities

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

Cash flows

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

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 £'000	Carrying amount	Fair value
2017		
Assets		
Cash and balances at central banks	2 851 074	2 851 074
Loans and advances to banks	1 001 986	1 001 986
Reverse repurchase agreements and cash collateral on securities borrowed	465 145	465 145
Bank debt securities	176 559	189 296
Other debt securities	258 112	252 213
Loans and advances to customers	8 534 260	8 521 880
Other loans and advances	413 430	395 600
Other assets	853 689	853 629
	14 554 255	14 530 823
Liabilities		
Deposits by banks	690 749	701 315
Repurchase agreements and cash collateral on securities lent	146 843	146 843
Customer accounts (deposits)	11 021 581	11 067 136
Debt securities in issue	1 527 871	1 556 400
Other liabilities	868 601	868 596
Subordinated liabilities	579 356	707 146
	14 835 001	15 047 436

Understanding Investec plc's 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, as set out on the following pages. 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 25) has been excluded from underlying statutory profit to derive the group's ongoing results.

A reconciliation between the statutory and ongoing income statement is provided on page 17.

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

Ongoing information

The tables that follow provide information on our ongoing results.

Consolidated summarised ongoing income statement

Unaudited £'000	For the year to 31 March 2017	For the year to 31 March 2016	Variance	% change
Net interest income	289 825	259 105	30 720	11.9%
Net fee and commission income	803 930	706 473	97 457	13.8%
Investment income	59 403	61 627	(2 224)	(3.6%)
Share of post tax operating profit of associate	2 349	2 321	28	1.2%
Trading income arising from				
– customer flow	129 711	93 333	36 378	39.0%
– balance sheet management and other trading activities	8 532	(7 743)	16 275	210.2%
Other operating income	12 870	8 532	4 338	50.8%
Total operating income before impairment losses on loans and advances	1 306 620	1 123 648	182 972	16.3%
Impairment losses on loans and advances	(20 651)	(16 069)	(4 582)	28.5%
Operating income	1 285 969	1 107 579	178 390	16.1%
Operating costs	(994 522)	(848 735)	(145 787)	17.2%
Depreciation on operating leased assets	(2 141)	(2 149)	8	(0.4%)
Operating profit before goodwill, acquired intangibles and non-operating items	289 306	256 695	32 611	12.7%
Loss attributable to other non-controlling interests	180	4 503	(4 323)	(96.0%)
Profit attributable to Asset Management non-controlling interests	(11 807)	(10 263)	(1 544)	15.0%
Operating profit before taxation	277 679	250 935	26 744	10.7%
Taxation	(50 383)	(50 854)	471	(0.9%)
Adjusted earnings before goodwill, acquired intangibles and non-operating items	227 296	200 081	27 215	13.6%

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2017 £'000	Statutory as disclosed	UK legacy business	Ongoing business
Net interest income	289 181	(644)	289 825
Net fee and commission income	803 863	(67)	803 930
Investment income	59 975	572	59 403
Share of post tax operating profit of associate	2 349	–	2 349
Trading income arising from			
– customer flow	129 706	(5)	129 711
– balance sheet management and other trading activities	8 672	140	8 532
Other operating income	13 195	325	12 870
Total operating income before impairment losses on loans and advances	1 306 941	321	1 306 620
Impairment losses on loans and advances	(74 956)	(54 305)	(20 651)
Operating income	1 231 985	(53 984)	1 285 969
Operating costs	(1 005 130)	(10 608)	(994 522)
Depreciation on operating leased assets	(2 141)	–	(2 141)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	224 714	(64 592)	289 306
Loss attributable to other non-controlling interests	180	–	180
Profit attributable to Asset Management non-controlling interests	(11 807)		(11 807)
Operating profit/(loss) before taxation	213 087	(64 592)	277 679
Taxation*	(39 144)	11 239	(50 383)
Attributable earnings before goodwill, acquired intangibles and non-operating items	173 943	(53 353)	227 296
Cost to income ratio	77.0%		76.2%

* Applying the group's effective statutory taxation rate of 17.4%.

Ongoing information

(continued)

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2016 £'000	Statutory as disclosed	UK legacy business	Ongoing business
Net interest income	260 945	1 840	259 105
Net fee and commission income	709 758	3 285	706 473
Investment income	62 120	493	61 627
Share of post tax operating profit of associate	2 321	–	2 321
Trading income arising from			
– customer flow	92 681	(652)	93 333
– balance sheet management and other trading activities	(7 983)	(240)	(7 743)
Other operating income	8 532	–	8 532
Total operating income before impairment losses on loans and advances	1 128 374	4 726	1 123 648
Impairment losses on loans and advances	(84 217)	(68 148)	(16 069)
Operating income	1 044 157	(63 422)	1 107 579
Operating costs	(863 648)	(14 913)	(848 735)
Depreciation on operating leased assets	(2 149)	–	(2 149)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	178 360	(78 335)	256 695
Loss attributable to other non-controlling interests	4 503	–	4 503
Profit attributable to Asset Management non-controlling interests	(10 263)	–	(10 263)
Operating profit/(loss) before taxation	172 600	(78 335)	250 935
Taxation*	(35 335)	15 519	(50 854)
Attributable earnings before goodwill, acquired intangibles and non-operating items	137 265	(62 816)	200 081
Cost to income ratio	76.7%		75.7%

* Applying the group's effective statutory taxation rate of 19.8%.

Reconciliation from statutory summarised income statement to ongoing summarised income statement for the Specialist Banking business

For the year to 31 March 2017 £'000	UK and Other Specialist Banking statutory as disclosed [^]	UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income	284 702	(644)	285 346
Net fee and commission income	227 932	(67)	227 999
Investment income	57 806	572	57 234
Share of post tax operating profit	840	–	840
Trading income arising from			
– customer flow	128 966	(5)	128 971
– balance sheet management and other trading activities	5 236	140	5 096
Other operating income	7 882	325	7 557
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	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
Loss attributable to other non-controlling interests	180	–	180
Operating profit/(loss) before taxation	104 604	(64 592)	169 196

[^] Refer to page 7.

Ongoing information

(continued)

Reconciliation from statutory summarised income statement to ongoing summarised income statement for the Specialist Banking business

For the year to 31 March 2016 £'000	UK and Other Specialist Banking statutory as disclosed [^]	UK legacy business	Ongoing business
Net interest income	256 591	1 840	254 751
Net fee and commission income	189 513	3 285	186 228
Investment income	56 303	493	55 810
Share of post tax operating profit of associate	1 130	–	1 130
Trading income arising from			
– customer flow	92 348	(652)	93 000
– balance sheet management and other trading activities	(9 875)	(240)	(9 635)
Other operating income	9 667	–	9 667
Total operating income before impairment losses on loans and advances	595 677	4 726	590 951
Impairment losses on loans and advances	(84 217)	(68 148)	(16 069)
Operating income	511 460	(63 422)	574 882
Operating costs	(435 771)	(14 913)	(420 858)
Depreciation on operating leased assets	(2 149)	–	(2 149)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	73 540	(78 335)	151 875
Loss attributable to other non-controlling interests	4 503	–	4 503
Operating profit/(loss) before taxation	78 043	(78 335)	156 378

[^] Refer to page 7.

Ongoing information

(continued)

Segmental 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
£'000

	2017	2016	% change
Asset Management	91 263	76 853	18.8%
Wealth & Investment	65 190	63 127	3.3%
Specialist Banking	169 196	156 378	8.2%
	325 649	296 358	9.9%
Group costs	(36 163)	(35 160)	2.9%
Total group	289 486	261 198	10.8%

A reconciliation of Specialist Banking's operating profit: ongoing vs statutory basis

For the year to 31 March
£'000

	2017	2016	% change
Total ongoing Specialist Banking per above	169 196	156 378	8.2%
UK legacy remaining	(64 592)	(78 335)	(17.5%)
Total Specialist Banking per statutory accounts	104 604	78 043	34.0%

Ongoing information

(continued)

Ongoing segmental business analysis – summarised income statement

For the year to 31 March 2017 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	111	4 368	285 346	–	289 825
Net fee and commission income	308 084	267 847	227 999	–	803 930
Investment income	–	2 169	57 234	–	59 403
Share of post tax operating profit of associate	–	1 509	840	–	2 349
Trading income arising from:					
– customer flow	–	740	128 971	–	129 711
– balance sheet management and other trading activities	3 221	215	5 096	–	8 532
Other operating income	5 313	–	7 557	–	12 870
Total operating income before impairment losses on loans and advances	316 729	276 848	713 043	–	1 306 620
Impairment losses on loans and advances	–	–	(20 651)	–	(20 651)
Operating income	316 729	276 848	692 392	–	1 285 969
Operating costs	(225 466)	(211 658)	(521 235)	(36 163)	(994 522)
Depreciation on operating leased assets	–	–	(2 141)	–	(2 141)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	91 263	65 190	169 016	(36 163)	289 306
Loss attributable to other non-controlling interests	–	–	180	–	180
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	91 263	65 190	169 196	(36 163)	289 486
Profit attributable to Asset Management non-controlling interests	(11 807)	–	–	–	(11 807)
Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests	79 456	65 190	169 196	(36 163)	277 679
Cost to income ratio	71.2%	76.5%	73.3%	n/a	76.2%

Ongoing segmental business analysis – summarised income statement

For the year to 31 March 2016 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	290	4 064	254 751	–	259 105
Net fee and commission income	275 252	244 993	186 228	–	706 473
Investment income	–	5 817	55 810	–	61 627
Share of post tax operating profit of associate	–	1 191	1 130	–	2 321
Trading income arising from:					
– customer flow	–	333	93 000	–	93 333
– balance sheet management and other trading activities	1 656	236	(9 635)	–	(7 743)
Other operating income	(1 135)	–	9 667	–	9 667
Total operating income before impairment losses on loans and advances	276 063	256 634	590 951	–	1 123 648
Impairment losses on loans and advances	–	–	(16 069)	–	(16 069)
Operating income	276 063	256 634	574 882	–	1 107 579
Operating costs	(199 210)	(193 507)	(420 858)	(35 160)	(848 735)
Depreciation on operating leased assets	–	–	(2 149)	–	(2 149)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	76 853	63 127	151 875	(35 160)	256 695
Loss attributable to other non-controlling interests	–	–	4 503	–	4 503
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	76 853	63 127	156 378	(35 160)	261 198
Profit attributable to Asset Management non-controlling interests	(10 263)	–	–	–	(10 263)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after non-controlling interests	66 590	63 127	156 378	(35 160)	250 935
Cost to income ratio	72.2%	75.4%	71.5%	n/a	75.7%

Ongoing information

(continued)

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

£'000	31 March 2017	31 March 2016
Gross core loans and advances to customers	8 169 901	7 242 345
Total impairments	(25 356)	(21 838)
Specific impairments	(12 393)	(20 838)
Portfolio impairments	(12 963)	(1 000)
Net core loans and advances to customers	8 144 545	7 220 507
Average gross core loans and advances to customers	7 706 123	6 810 208
Total income statement charge for impairments on core loans and advances	(20 690)	(17 806)
Gross default loans and advances to customers	34 166	49 795
Specific impairments	(12 393)	(20 838)
Portfolio impairments	(12 963)	(1 000)
Defaults net of impairments before collateral held	8 810	27 957
Collateral and other credit enhancements	25 948	34 777
Net default loans and advances to customers (limited to zero)	-	-
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.31%	0.30%
Total impairments as a % of gross default loans	74.21%	43.86%
Gross defaults as a % of gross core loans and advances to customers	0.42%	0.69%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.11%	0.39%
Net defaults as a % of net core loans and advances to customers	-	-
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.27%	0.26%

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

	Statutory as disclosed	Removal of UK legacy	Ongoing business
31 March 2017 (£'000)			
Gross core loans and advances to customers	8 747 618	577 717	8 169 901
Total impairments	(126 876)	(101 520)	(25 356)
Specific impairments	(83 488)	(71 095)	(12 393)
Portfolio impairments	(43 388)	(30 425)	(12 963)
Net core loans and advances to customers	8 620 742	476 197	8 144 545
31 March 2016 (£'000)			
Gross core loans and advances to customers	7 946 793	704 448	7 242 345
Total impairments	(143 191)	(121 353)	(21 838)
Specific impairments	(121 791)	(100 953)	(20 838)
Portfolio impairments	(21 400)	(20 400)	(1 000)
Net core loans and advances to customers	7 803 602	583 095	7 220 507

Legacy business in the UK Specialist Bank

The legacy business in the UK Specialist Bank comprises:

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

Legacy business – overview of results

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

An analysis of assets within the legacy business

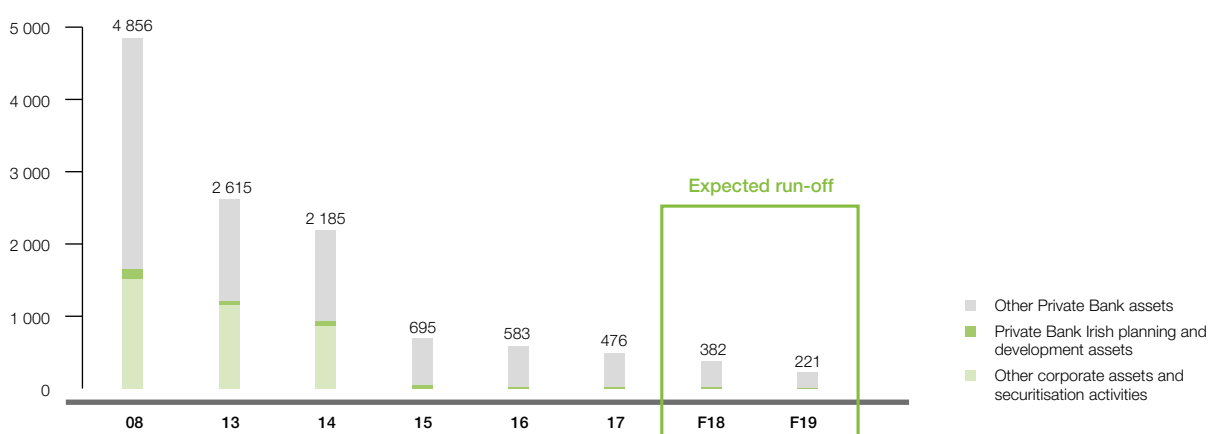
For the year to 31 March £'million	31 March 2017 Total net assets (after impairments)	31 March 2017 Total balance sheet impairment	31 March 2016 Total net assets (after impairments)	31 March 2016 Total balance sheet impairment
Private Bank Irish planning and development assets	18	9	23	14
Other Private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

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

Expected run-off of legacy assets

Total remaining UK legacy assets

£'million



Risk management

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

At 31 March

£'000

	2017	2016
Gross core loans and advances to customers	8 747 618	7 946 793
Total impairments	(126 876)	(143 191)
Specific impairments	(83 488)	(121 791)
Portfolio impairments	(43 388)	(21 400)
Net core loans and advances to customers	8 620 742	7 803 602
Average gross core loans and advances to customers	8 347 205	7 598 177
Current loans and advances to customers	8 416 683	7 561 596
Past due loans and advances to customers (1 – 60 days)	48 003	65 909
Special mention loans and advances to customers	22 585	5 354
Default loans and advances to customers	260 347	313 934
Gross core loans and advances to customers	8 747 618	7 946 793
Current loans and advances to customers	8 416 683	7 561 596
Default loans that are current and not impaired	6 993	29 639
Gross core loans and advances to customers that are past due but not impaired	105 645	99 383
Gross core loans and advances to customers that are impaired	218 297	256 175
Gross core loans and advances to customers	8 747 618	7 946 793
Total income statement charge for impairments on core loans and advances	(74 995)	(85 954)
Gross default loans and advances to customers	260 347	313 934
Specific impairments	(83 488)	(121 791)
Portfolio impairments	(43 388)	(21 400)
Defaults net of impairments	133 471	170 743
Aggregate collateral and other credit enhancements on defaults	192 760	202 524
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.45%	1.80%
Total impairments as a % of gross default loans	48.73%	45.61%
Gross defaults as a % of gross core loans and advances to customers	2.98%	3.95%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.55%	2.19%
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)	0.90%	1.13%

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

£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	1 963 754	227 515	167 972	(70 633)	(45 114)
Commercial real estate	1 190 836	80 987	48 998	(31 989)	(21 748)
Commercial real estate – investment	934 117	40 120	30 773	(9 347)	(12 373)
Commercial real estate – development	149 188	4 768	1 680	(3 088)	–
Commercial vacant land and planning	107 531	36 099	16 545	(19 554)	(9 375)
Residential real estate	772 918	146 528	118 974	(38 644)	(23 366)
Residential real estate – investment	262 844	46 841	43 018	(9 222)	(11 126)
Residential real estate – development	458 441	77 250	61 727	(19 754)	(10 615)
Residential vacant land and planning	51 633	22 437	14 229	(9 668)	(1 625)
High net worth and other private client lending	1 598 801	18 458	17 139	(6 130)	(1 928)
Mortgages	1 228 877	4 906	6 957	(1 237)	(637)
High net worth and specialised lending	369 924	13 552	10 182	(4 893)	(1 291)
Corporate and other lending	5 185 063	14 374	7 649	(6 725)	(5 965)
Acquisition finance	1 309 335	–	–	–	(1 951)
Asset-based lending	333 731	–	–	–	–
Fund finance	861 140	–	–	–	–
Other corporates and financial institutions and governments	718 760	–	–	–	–
Asset finance	1 488 142	10 483	3 942	(6 541)	(5 630)
Small ticket asset finance	1 062 069	10 483	3 942	(6 541)	(5 630)
Large ticket asset finance	426 073	–	–	–	–
Project finance	464 142	3 891	3 707	(184)	(176)
Resource finance	9 813	–	–	–	1 792
Portfolio impairments	–	–	–	(43 388)	(21 988)
Total	8 747 618	260 347	192 760	(126 876)	(74 995)

[^] Where a positive number represents a recovery.

Risk management

(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 [^]
Lending collateralised by property	2 179 999	264 283	168 722	(101 064)	(75 732)
Commercial real estate	1 314 745	108 746	64 068	(45 030)	(32 441)
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)
Residential real estate	865 254	155 537	104 654	(56 034)	(43 291)
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)
High net worth and other private client lending	1 458 552	19 532	18 650	(5 760)	(8 194)
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)
Corporate and other lending	4 308 242	30 119	15 152	(14 967)	(14 810)
Acquisition finance	899 190	–	–	–	(1 284)
Asset-based lending	296 389	–	–	–	–
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)
Portfolio impairments	–	–	–	(21 400)	12 782
Total	7 946 793	313 934	202 524	(143 191)	(85 954)

[^] Where a positive number represents a recovery or provision released.

Capital adequacy

Capital structure and capital adequacy

£'million	31 March* 2017	31 March 2016
Tier 1 capital		
Shareholders' equity	1 921	1 652
Shareholders' equity per balance sheet	2 017	1 867
Foreseeable dividends	(60)	(46)
Perpetual preference share capital and share premium	(25)	(150)
Deconsolidation of special purpose entities	(11)	(19)
Non-controlling interests	11	10
Non-controlling interests per balance sheet	15	13
Non-controlling interests transferred to tier 1	–	–
Surplus non-controlling interest disallowed in common equity tier 1	(4)	(3)
Regulatory adjustments to the accounting basis	(6)	(43)
Defined benefit pension fund adjustment	(2)	(37)
Additional value adjustments	(4)	(6)
Deductions	(478)	(478)
Goodwill and intangible assets net of deferred taxation	(464)	(466)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(10)	(8)
Securitisation positions	(3)	(4)
Debt valuation adjustment	(1)	–
Common equity tier 1 capital	1 448	1 141
Additional tier 1 capital	24	130
Additional tier 1 instruments	24	130
Phase out of non-qualifying additional tier 1 instruments	–	–
Total tier 1 capital	1 472	1 271
Tier 2 capital	475	535
Tier 2 instruments	560	610
Non-qualifying surplus capital attributable to non-controlling interests	(85)	(75)
Total regulatory capital	1 947	1 806
Risk-weighted assets	13 312	12 297
Capital ratios		
Common equity tier 1 ratio	10.9%	9.3%
Tier 1 ratio	11.1%	10.3%
Total capital ratio	14.6%	14.7%

* The capital adequacy disclosures for Investec 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 plc's CET1 ratio would be 45bps (31 March 2016: 40bps) higher on this basis.

Capital adequacy

(continued)

Capital requirements

£'million	31 March 2017	31 March 2016
Capital requirements	1 064	984
Credit risk – prescribed standardised exposure classes	790	711
Corporates	434	341
Secured on real estate property	156	150
Retail	45	44
Institutions	30	32
Other exposure classes	117	135
Securitisation exposures	8	9
Equity risk – standardised approach	6	8
Listed equities	1	3
Unlisted equities	5	5
Counterparty credit risk	39	41
Credit valuation adjustment risk	6	5
Market risk	71	76
Interest rate	29	27
Foreign exchange	14	23
Equities	20	16
Options	8	10
Operational risk – standardised approach	152	143
Risk-weighted assets (banking and trading)	13 312	12 297
Credit risk – prescribed standardised exposure classes	9 873	8 883
Corporates	5 432	4 260
Secured on real estate property	1 948	1 876
Retail	557	550
Institutions	370	397
Other exposure classes	1 466	1 693
Securitisation exposures	100	107
Equity risk – standardised approach	80	103
Listed equities	11	43
Unlisted equities	69	60
Counterparty credit risk	494	515
Credit valuation adjustment risk	78	57
Market risk	882	955
Interest rate	360	332
Foreign Exchange	169	292
Equities	248	201
Options	105	130
Operational risk – standardised approach	1 905	1 784

Capital adequacy

(continued)

Leverage

	31 March 2017	31 March 2016
Tier 1 Capital	1 472	1 271
Total exposure	19 689	18 831
Leverage ratio	7.5%	6.7%

A summary of capital adequacy and leverage ratios

	31 March 2017	31 March 2016
Common equity tier 1 (as reported)	10.9%	9.3%
Common equity tier 1 ('fully loaded')^^	10.9%	9.3%
Tier 1 (as reported)	11.1%	10.3%
Total capital adequacy ratio (as reported)	14.6%	14.7%
Leverage ratio** – permanent capital	7.5%	6.7%
Leverage ratio** – current	7.5%	6.7%
Leverage ratio** – ('fully loaded')^^	7.4%	6.1%

^^ 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 2017.