

Out of the Ordinary



Investec plc

**Financial information (excludes results of Investec Limited)**  
*Unaudited consolidated financial information*  
*for the year ended 31 March 2018*  
**IFRS – Pounds Sterling**

**2018**



## Overview of results

For the year to 31 March	2018	2017	% change
Total operating income before impairment losses on loans and advances (£'000)	1 380 220	1 306 941	5.6%
Operating costs (£'000)	1 074 112	1 005 130	6.9%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests (£'000)	199 357	224 894	(11.4%)
Earnings attributable to ordinary shareholders (£'000)	135 231	159 728	(15.3%)
Cost to income ratio	78.0%	77.0%	
Total capital resources (including subordinated liabilities and Additional Tier 1 securities in issue) (£'000)	2 920 374	2 610 875	11.9%
Total shareholders' equity (including preference shares, non-controlling interests and Additional Tier 1 securities in issue) (£'000)	2 340 701	2 031 519	15.2%
Total assets (£'000)	20 611 752	18 788 617	9.7%
Net core loans and advances (£'000)	9 687 224	8 620 742	12.4%
Customer accounts (deposits) (£'000)	11 637 497	11 021 581	5.6%
Cash and near cash balances (£'000)	5 813 418	5 026 198	15.7%
Funds under management (£'million)	106 647	97 320	9.6%
Capital adequacy ratio	15.0%	14.6%	
Tier 1 ratio	12.5%	11.1%	
Common equity tier 1 ratio	10.6%	10.9%	
Leverage ratio	8.2%	7.5%	
Leverage ratio – 'fully loaded'	8.1%	7.4%	
Defaults (net of impairments) as a % of net core loans and advances	2.16%	1.55%	
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)	1.14%	0.90%	
Total gearing (i.e. total assets to total equity)	8.8x	9.2x	
Loans and advances to customers: customer accounts (deposits)	83.2%	78.2%	

## Consolidated income statement

For the year to 31 March £'000	2018	2017
Interest income	599 410	563 354
Interest expense	(261 830)	(274 173)
<b>Net interest income</b>	<b>337 580</b>	<b>289 181</b>
Fee and commission income	1 005 635	932 146
Fee and commission expense	(155 701)	(128 283)
Investment income	68 516	59 975
Share of post taxation profit of associates	1 436	2 349
Trading income arising from:		
– customer flow	114 402	129 706
– balance sheet management and other trading activities	(2 069)	8 672
Other operating income	10 421	13 195
<b>Total operating income before impairment losses on loans and advances</b>	<b>1 380 220</b>	<b>1 306 941</b>
Impairment losses on loans and advances	(106 085)	(74 956)
<b>Operating income</b>	<b>1 274 135</b>	<b>1 231 985</b>
Operating costs	(1 074 112)	(1 005 130)
Depreciation on operating leased assets	(2 350)	(2 141)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>197 673</b>	<b>224 714</b>
Impairment of goodwill	–	(3 134)
Amortisation of acquired intangibles	(13 273)	(14 386)
<b>Operating profit</b>	<b>184 400</b>	<b>207 194</b>
<b>Profit before taxation</b>	<b>184 400</b>	<b>207 194</b>
Taxation on operating profit before goodwill and acquired intangibles	(38 509)	(39 144)
Taxation on goodwill and acquired intangibles	2 418	3 305
<b>Profit after taxation</b>	<b>148 309</b>	<b>171 355</b>
Profit attributable to Asset Management non-controlling interests	(14 762)	(11 807)
Loss attributable to other non-controlling interests	1 684	180
<b>Earnings attributable to shareholders</b>	<b>135 231</b>	<b>159 728</b>

## Consolidated statement of total comprehensive income

For the year to 31 March £'000	2018	2017
<b>Profit after taxation</b>	<b>148 309</b>	<b>171 355</b>
Other comprehensive income/(loss):		
<b>Items that may be reclassified to the income statement</b>		
Gains on realisation of available-for-sale assets recycled through the income statement*	(1 278)	(2 622)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	4 525	29 809
Foreign currency adjustments on translating foreign operations	(18 350)	37 139
<b>Items that will never be reclassified to the income statement</b>		
Remeasurement of net defined benefit pension asset	3 938	(43 580)
<b>Total comprehensive income</b>	<b>137 144</b>	<b>192 101</b>
Total comprehensive income attributable to non-controlling interests	13 577	11 253
Total comprehensive income attributable to ordinary shareholders	117 437	178 986
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	6 130	1 862
<b>Total comprehensive income</b>	<b>137 144</b>	<b>192 101</b>

\* Net of taxation.

## Consolidated balance sheet

At 31 March £'000	2018	2017
<b>Assets</b>		
Cash and balances at central banks	3 487 769	2 853 571
Loans and advances to banks	1 003 796	1 130 998
Reverse repurchase agreements and cash collateral on securities borrowed	750 428	536 173
Sovereign debt securities	1 155 472	952 902
Bank debt securities	107 938	184 626
Other debt securities	278 474	398 278
Derivative financial instruments	597 264	604 175
Securities arising from trading activities	701 728	522 760
Investment portfolio	477 919	459 745
Loans and advances to customers	9 687 224	8 620 742
Other loans and advances	360 931	413 430
Other securitised assets	132 172	138 628
Interests in associated undertakings	77 059	63 390
Deferred taxation assets	98 156	89 941
Other assets	1 169 579	1 276 132
Property and equipment	54 493	60 528
Investment properties	14 500	14 500
Goodwill	356 265	355 155
Intangible assets	100 585	112 943
	<b>20 611 752</b>	<b>18 788 617</b>
<b>Liabilities</b>		
Deposits by banks	1 308 202	690 749
Derivative financial instruments	533 319	582 600
Other trading liabilities	103 496	136 041
Repurchase agreements and cash collateral on securities lent	168 640	223 997
Customer accounts (deposits)	11 637 497	11 021 581
Debt securities in issue	2 341 134	1 955 447
Liabilities arising on securitisation of other assets	127 853	128 838
Current taxation liabilities	152 355	143 585
Deferred taxation liabilities	21 892	26 236
Other liabilities	1 296 990	1 268 668
	<b>17 691 378</b>	<b>16 177 742</b>
Subordinated liabilities	579 673	579 356
	<b>18 271 051</b>	<b>16 757 098</b>
<b>Equity</b>		
Ordinary share capital	195	191
Perpetual preference share capital	29	29
Share premium	1 317 115	1 246 282
Treasury shares	(102 876)	(90 411)
Other reserves	(119 161)	(45 381)
Retained income	979 649	905 809
<b>Shareholders' equity excluding non-controlling interests</b>	<b>2 074 951</b>	<b>2 016 519</b>
Other Additional Tier 1 securities in issue	250 000	–
Non-controlling interests in partially held subsidiaries	15 750	15 000
<b>Total equity</b>	<b>2 340 701</b>	<b>2 031 519</b>
<b>Total liabilities and equity</b>	<b>20 611 752</b>	<b>18 788 617</b>

## Statement of changes in equity

For the year to March £'000	2018	2017
<b>Balance at the beginning of the year</b>	<b>2 031 519</b>	<b>1 880 808</b>
<b>Movement in reserves</b>		
Profit after taxation	148 309	171 355
Gains on realisation of available-for-sale assets recycled through the income statement	(1 278)	(2 622)
Fair value movements on available-for-sale assets	4 525	29 809
Foreign currency adjustments on translating foreign operations	(18 350)	37 139
Remeasurement of net defined pension asset	3 938	(43 580)
<b>Total comprehensive income for the year</b>	<b>137 144</b>	<b>192 101</b>
Share-based payments adjustments	31 232	25 987
Issue of ordinary shares	70 837	174 082
Issue of other Additional Tier 1 securities	250 000	–
Dividends paid to ordinary shareholders	(106 253)	(105 727)
Dividends paid to perpetual preference shareholders	(421)	(1 862)
Dividends paid to non-controlling interests	(13 008)	(9 690)
Dividends paid to other Additional Tier 1 security holders	(5 709)	–
Redemption of preference shares	–	(81 743)
Net equity impact of non-controlling interest movements	9 255	7 477
Movement of treasury shares	(63 895)	(49 914)
<b>Balance at the end of the year</b>	<b>2 340 701</b>	<b>2 031 519</b>

## Segmental business analysis – income statement

For the year to 31 March 2018 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	242	5 181	332 157	–	337 580
Fee and commission income	500 670	297 629	207 336	–	1 005 635
Fee and commission expense	(145 440)	(722)	(9 539)	–	(155 701)
Investment income	(47)	10 446	58 117	–	68 516
Share of post taxation profit of associates	–	416	1 020	–	1 436
Trading income arising from:					
– customer flow	–	1 032	113 370	–	114 402
– balance sheet management and other trading activities	(5 189)	(7)	3 127	–	(2 069)
Other operating income	2 131	235	8 055	–	10 421
<b>Total operating income before impairment on loans and advances</b>	<b>352 367</b>	<b>314 210</b>	<b>713 643</b>	<b>–</b>	<b>1 380 220</b>
Impairment losses on loans and advances	–	–	(106 085)	–	(106 085)
<b>Operating income</b>	<b>352 367</b>	<b>314 210</b>	<b>607 558</b>	<b>–</b>	<b>1 274 135</b>
Operating costs	(248 449)	(244 940)	(546 934)	(33 789)	(1 074 112)
Depreciation on operating leased assets	–	–	(2 350)	–	(2 350)
<b>Operating profit/(loss) before goodwill and acquired intangibles</b>	<b>103 918</b>	<b>69 270</b>	<b>58 274</b>	<b>(33 789)</b>	<b>197 673</b>
Loss attributable to other non-controlling interests	–	–	1 684	–	1 684
<b>Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests</b>	<b>103 918</b>	<b>69 270</b>	<b>59 958</b>	<b>(33 789)</b>	<b>199 357</b>
Profit attributable to Asset Management non-controlling interests	(14 762)	–	–	–	(14 762)
<b>Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests</b>	<b>89 156</b>	<b>69 270</b>	<b>59 958</b>	<b>(33 789)</b>	<b>184 595</b>
<b>Selected returns and key statistics</b>					
Cost to income ratio	70.5%	78.0%	76.9%	n/a	78.0%
Total assets (£'million)	423	996	19 193	n/a	20 612

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 tax profit of associates	–	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
<b>Total operating income before impairment losses on loans and advances</b>	<b>316 729</b>	<b>276 848</b>	<b>713 364</b>	<b>–</b>	<b>1 306 941</b>
Impairment losses on loans and advances	–	–	(74 956)	–	(74 956)
<b>Operating income</b>	<b>316 729</b>	<b>276 848</b>	<b>638 408</b>	<b>–</b>	<b>1 231 985</b>
Operating costs	(225 466)	(211 658)	(531 843)	(36 163)	(1 005 130)
Depreciation on operating leased assets	–	–	(2 141)	–	(2 141)
<b>Operating profit/(loss) before goodwill and acquired intangibles</b>	<b>91 263</b>	<b>65 190</b>	<b>104 424</b>	<b>(36 163)</b>	<b>224 714</b>
Loss attributable to other non-controlling interests	–	–	180	–	180
<b>Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests</b>	<b>91 263</b>	<b>65 190</b>	<b>104 604</b>	<b>(36 163)</b>	<b>224 894</b>
Profit attributable to Asset Management non-controlling interests	(11 807)	–	–	–	(11 807)
<b>Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests</b>	<b>79 456</b>	<b>65 190</b>	<b>104 604</b>	<b>(36 163)</b>	<b>213 087</b>
<b>Selected return and key statistic</b>					
Cost to income ratio	71.2%	76.5%	74.8%	n/a	77.0%
Total assets (£'million)	401	952	17 437	n/a	18 789

## Additional income statement note disclosures

### Net interest income

		2018		2017	
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	6 505 403	26 413	5 658 270	33 255
Core loans and advances	2	9 687 224	518 070	8 620 742	471 547
Private client		3 785 828	161 107	3 454 366	151 645
Corporate, institutional and other clients		5 901 396	356 963	5 166 376	319 902
Other debt securities and other loans and advances		639 405	54 927	811 708	58 552
<b>Total interest-earning assets</b>		<b>16 832 032</b>	<b>599 410</b>	<b>15 090 720</b>	<b>563 354</b>

		2018		2017	
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	3 817 976	92 513	2 870 193	87 872
Customer accounts		11 637 497	113 972	11 021 581	130 419
Subordinated liabilities		579 673	55 345	579 356	55 882
<b>Total interest-bearing liabilities</b>		<b>16 035 146</b>	<b>261 830</b>	<b>14 471 130</b>	<b>274 173</b>
Net interest income			<b>337 580</b>		<b>289 181</b>
Net interest margin			<b>2.11%</b>		<b>1.96%</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 (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 March £'000	2018	2017
<b>Asset management and wealth management businesses net fee and commission income</b>	<b>652 137</b>	<b>575 931</b>
Fund management fees/fees for assets under management	743 670	639 100
Private client transactional fees	54 629	56 955
Fee and commission expense	(146 162)	(120 124)
<b>Specialist Banking net fee and commission income</b>	<b>197 797</b>	<b>227 932</b>
Corporate and institutional transactional and advisory services	192 579	206 408
Private client transactional fees	14 757	29 683
Fee and commission expense	(9 539)	(8 159)
<b>Net fee and commission income</b>	<b>849 934</b>	<b>803 863</b>
Annuity fees (net of fees payable)	662 924	581 895
Deal fees	187 010	221 968

### 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>2018</b>					
Realised	38 517	5 779	(86)	(705)	43 505
Unrealised <sup>^</sup>	13 419	2 730	–	(9 714)	6 435
Dividend income	10 171	–	–	–	10 171
Funding and other net related income	–	–	–	8 405	8 405
<b>Total investment income/(loss)</b>	<b>62 107</b>	<b>8 509</b>	<b>(86)</b>	<b>(2 014)</b>	<b>68 516</b>
<b>2017</b>					
Realised	38 533	(8 482)	18 337	1 947	50 335
Unrealised <sup>^</sup>	(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
<b>Total investment income/(loss)</b>	<b>47 786</b>	<b>(3 344)</b>	<b>8 329</b>	<b>7 204</b>	<b>59 975</b>

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

<sup>^</sup> In a year of realisation, any prior period mark-to-market gains/(losses) 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
<b>2018</b>				
<b>Assets</b>				
Cash and balances at central banks	7 784	3 479 985	–	3 487 769
Loans and advances to banks	158 161	845 635	–	1 003 796
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	712 550	–	750 428
Sovereign debt securities	1 155 472	–	–	1 155 472
Bank debt securities	–	107 938	–	107 938
Other debt securities	79 099	199 375	–	278 474
Derivative financial instruments*	597 264	–	–	597 264
Securities arising from trading activities	701 728	–	–	701 728
Investment portfolio	477 919	–	–	477 919
Loans and advances to customers	133 740	9 553 484	–	9 687 224
Other loans and advances	–	360 931	–	360 931
Other securitised assets	132 172	–	–	132 172
Interests in associated undertakings	–	–	77 059	77 059
Deferred taxation assets	–	–	98 156	98 156
Other assets	115 456	847 659	206 464	1 169 579
Property and equipment	–	–	54 493	54 493
Investment properties	–	–	14 500	14 500
Goodwill	–	–	356 265	356 265
Intangible assets	–	–	100 585	100 585
	<b>3 596 673</b>	<b>16 107 557</b>	<b>907 522</b>	<b>20 611 752</b>
<b>Liabilities</b>				
Deposits by banks	–	1 308 202	–	1 308 202
Derivative financial instruments*	533 319	–	–	533 319
Other trading liabilities	103 496	–	–	103 496
Repurchase agreements and cash collateral on securities lent	34 886	133 754	–	168 640
Customer accounts (deposits)	–	11 637 497	–	11 637 497
Debt securities in issue	471 886	1 869 248	–	2 341 134
Liabilities arising on securitisation of other assets	127 853	–	–	127 853
Current taxation liabilities	–	–	152 355	152 355
Deferred taxation liabilities	–	–	21 892	21 892
Other liabilities	–	891 556	405 434	1 296 990
	<b>1 271 440</b>	<b>15 840 257</b>	<b>579 681</b>	<b>17 691 378</b>
Subordinated liabilities	–	579 673	–	579 673
	<b>1 271 440</b>	<b>16 419 930</b>	<b>579 681</b>	<b>18 271 051</b>

\* 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
<b>2018</b>				
<b>Assets</b>				
Cash and balances at central banks	7 784	7 784	–	–
Loans and advances to banks	158 161	158 161	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	37 878	–
Sovereign debt securities	1 155 472	1 155 472	–	–
Other debt securities	79 099	6 868	61 993	10 238
Derivative financial instruments	597 264	–	554 375	42 889
Securities arising from trading activities	701 728	670 814	24 160	6 754
Investment portfolio	477 919	42 078	12 045	423 796
Loans and advances to customers	133 740	–	–	133 740
Other securitised assets	132 172	–	–	132 172
Other assets	115 456	115 456	–	–
	<b>3 596 673</b>	<b>2 156 633</b>	<b>690 451</b>	<b>749 589</b>
<b>Liabilities</b>				
Derivative financial instruments	533 319	–	531 877	1 442
Other trading liabilities	103 496	103 496	–	–
Repurchase agreements and cash collateral on securities lent	34 886	–	34 886	–
Debt securities in issue	471 886	–	457 687	14 199
Liabilities arising on securitisation of other assets	127 853	–	–	127 853
	<b>1 271 440</b>	<b>103 496</b>	<b>1 024 450</b>	<b>143 494</b>
<b>Net assets/(liabilities) at fair value</b>	<b>2 325 233</b>	<b>2 053 137</b>	<b>(333 999)</b>	<b>606 095</b>

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 current and prior years there were no significant transfers between level 1 and level 2.

## 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
<b>Balance as at 1 April 2017</b>	<b>543 218</b>	<b>501 376</b>	<b>41 842</b>
Total gains or losses	57 936	42 765	15 171
In the income statement	55 200	42 765	12 435
In the statement of comprehensive income	2 736	–	2 736
Purchases	167 722	167 722	–
Sales	(107 952)	(90 054)	(17 898)
Issues	–	–	–
Settlements	(8 292)	(8 292)	–
Transfers into level 3	–	–	–
Transfers out of level 3	(17 916)	(17 351)	(565)
Foreign exchange adjustments	(28 621)	(27 586)	(1 035)
<b>Balance as at 31 March 2018</b>	<b>606 095</b>	<b>568 580</b>	<b>37 515</b>

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 2018 £'000	Total	Realised	Unrealised
<b>Total gains or (losses) included in the income statement for the year</b>			
Net interest income	–	–	–
Fee and commission income	93	–	93
Investment income	58 705	30 594	28 111
Trading income arising from customer flow	(3 598)	(488)	(3 110)
Trading income arising from balance sheet management and other trading activities	–	–	–
	<b>55 200</b>	<b>30 106</b>	<b>25 094</b>
<b>Total gains included in other comprehensive income for the year</b>			
Gains on realisation of available-for-sale assets recycled through the income statement	12 435	12 435	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	2 736	–	2 736
	<b>15 171</b>	<b>12 435</b>	<b>2 736</b>

## Additional IAS 34 disclosures

(continued)

For the period ended 31 March 2018, instruments to the value of £17.9 million were transferred from level 3 to level 2 (31 March 2017: nil). The valuation methodologies were reviewed and observable inputs are used to determine the fair value.

There were no transfers from level 2 to the level 3 category in the current and prior year.

### Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2018 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
<b>Assets</b>		
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
<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
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:

30 March 2018	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
<b>Assets</b>					
Other debt securities	10 238	Reflected in income statement		402	(513)
		Cash flow adjustments	CPR 8.3% – 10%	254	(363)
		Other <sup>^</sup>	^	148	(150)
Derivative financial instruments	42 889	Reflected in income statement		6 376	(8 598)
		Volatilities	4% – 9%	356	(356)
		Cash flow adjustments	CPR 8% – 10%	154	(140)
		WACC	19.5% – 48.5%	4 049	(5 750)
		Other <sup>^</sup>	^	1 817	(2 352)
Securities arising from trading activities	6 754	Reflected in income statement			
		Cash flow adjustments	CPR 8%	1 180	(1 080)
Investment portfolio	423 796	Reflected in income statement		63 045	(71 028)
		Price earnings multiple	5.0 x – 10 x	6 159	(6 120)
		WACC	19.5% – 48.5%	12 799	(23 769)
		Other <sup>^</sup>	^	44 087	(41 139)
		Reflected in other comprehensive income		2 138	(2 113)
		Price earnings multiple	4.0 x – 5.5 x	175	(246)
		Other <sup>^</sup>	^	1 963	(1 867)
Loans and advances to customers	133 740	Reflected in income statement		15 490	(16 771)
		EBITDA	10%	10 349	(10 349)
		Other <sup>^</sup>	^	5 141	(6 422)
Other securitised assets*	132 172	Reflected in income statement			
		Cash flow adjustments	CPR 8%	885	(742)
<b>Total level 3 assets</b>	<b>749 589</b>			<b>89 516</b>	<b>(100 845)</b>
<b>Liabilities</b>					
Derivative financial instruments	1 442	Reflected in income statement		(110)	122
		Cash flow adjustments	CPR 10%	(107)	119
		Volatilities	8%	(3)	3
Debt service in issue	14 199	Reflected in income statement			
		Volatilities	6%	(157)	157
Liabilities arising on securitisation of other assets*	127 853	Reflected in income statement			
		Cash flow adjustments	CPR 8%	(236)	231
<b>Total level 3 liabilities</b>	<b>143 494</b>			<b>(503)</b>	<b>510</b>
<b>Net level 3 assets</b>	<b>606 095</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)

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. It is an unobservable input into a discounted cash flow valuation.

### Discount rates

Discount rates (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

### Volatilities

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

### Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement. Cash flows are input into a discounted cash flow valuation.

### 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
<b>2018</b>		
<b>Assets</b>		
Cash and balances at central banks	3 479 985	3 479 985
Loans and advances to banks	845 635	845 671
Reverse repurchase agreements and cash collateral on securities borrowed	712 550	712 582
Bank debt securities	107 938	116 875
Other debt securities	199 375	196 682
Loans and advances to customers	9 553 484	9 548 377
Other loans and advances	360 931	358 016
Other assets	847 659	843 600
	<b>16 107 557</b>	<b>16 101 788</b>
<b>Liabilities</b>		
Deposits by banks	1 308 202	1 302 505
Repurchase agreements and cash collateral on securities lent	133 754	133 754
Customer accounts (deposits)	11 637 497	11 617 042
Debt securities in issue	1 869 248	1 963 295
Other liabilities	891 556	887 507
Subordinated liabilities	579 673	710 580
	<b>16 419 930</b>	<b>16 614 683</b>

## 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 2017.

### Ongoing information

The tables that follow provide information on our ongoing results.

#### Consolidated summarised ongoing income statement

£'000	For the year to 31 March 2018	For the year to 31 March 2017	Variance	% change
Net interest income	337 283	289 825	47 458	16.4%
Net fee and commission income	849 941	803 930	46 011	5.7%
Investment income	68 190	59 403	8 787	14.8%
Share of post tax profit of associate	1 436	2 349	(913)	(38.9%)
Trading income arising from:				
– customer flow	114 420	129 711	(15 291)	(11.8%)
– balance sheet management and other trading activities	(2 088)	8 532	(10 620)	>(100%)
Other operating income	10 344	12 870	(2 526)	(19.6%)
<b>Total operating income before impairment losses on loans and advances</b>	<b>1 379 526</b>	<b>1 306 620</b>	<b>72 906</b>	<b>5.6%</b>
Impairment losses on loans and advances	(21 419)	(20 651)	(768)	3.7%
<b>Operating income</b>	<b>1 358 107</b>	<b>1 285 969</b>	<b>72 138</b>	<b>5.6%</b>
Operating costs	(1 064 582)	(994 522)	(70 060)	7.0%
Depreciation on operating leased assets	(2 350)	(2 141)	(209)	9.8%
<b>Operating profit before goodwill, acquired intangibles and non-operating items</b>	<b>291 175</b>	<b>289 306</b>	<b>1 869</b>	<b>0.6%</b>
Loss attributable to other non-controlling interests	1 684	180	1 504	>100%
Profit attributable to Asset Management non-controlling interests	(14 762)	(11 807)	(2 955)	25.0%
<b>Operating profit before taxation</b>	<b>278 097</b>	<b>277 679</b>	<b>418</b>	<b>0.2%</b>
Taxation	(56 835)	(50 383)	(6 452)	12.8%
<b>Adjusted earnings before goodwill, acquired intangibles and non-operating items</b>	<b>221 262</b>	<b>227 296</b>	<b>(6 034)</b>	<b>(2.7%)</b>
Cost to income ratio	77.3%	76.2%		



### Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2018 £'000	Removal of:		Ongoing business
	Statutory as disclosed	UK legacy business	
Net interest income	337 580	297	337 283
Net fee and commission income	849 934	(7)	849 941
Investment income	68 516	326	68 190
Share of post tax profit of associate	1 436	–	1 436
Trading income arising from:			
– customer flow	114 402	(18)	114 420
– balance sheet management and other trading activities	(2 069)	19	(2 088)
Other operating income	10 421	77	10 344
<b>Total operating income before impairment losses on loans and advances</b>	<b>1 380 220</b>	<b>694</b>	<b>1 379 526</b>
Impairment losses on loans and advances	(106 085)	(84 666)	(21 419)
<b>Operating income</b>	<b>1 274 135</b>	<b>(83 972)</b>	<b>1 358 107</b>
Operating costs	(1 074 112)	(9 530)	(1 064 582)
Depreciation on operating leased assets	(2 350)	–	(2 350)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>197 673</b>	<b>(93 502)</b>	<b>291 175</b>
Loss attributable to other non-controlling interests	1 684	–	1 684
Profit attributable to Asset Management non-controlling interests	(14 762)	–	(14 762)
<b>Operating profit/(loss) before taxation</b>	<b>184 595</b>	<b>(93 502)</b>	<b>278 097</b>
Taxation	(38 509)	18 326*	(56 835)
<b>Attributable earnings before goodwill, acquired intangibles and non-operating items</b>	<b>146 086</b>	<b>(75 176)</b>	<b>221 262</b>
Cost to income ratio	78.0%		77.3%

\* Applying the group's effective statutory taxation rate of 19.6%.

## Ongoing information

(continued)

### Reconciliation from statutory summarised income statement to ongoing summarised income statement

Removal of:

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 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
<b>Total operating income before impairment losses on loans and advances</b>	<b>1 306 941</b>	<b>321</b>	<b>1 306 620</b>
Impairment losses on loans and advances	(74 956)	(54 305)	(20 651)
<b>Operating income</b>	<b>1 231 985</b>	<b>(53 984)</b>	<b>1 285 969</b>
Operating costs	(1 005 130)	(10 608)	(994 522)
Depreciation on operating leased assets	(2 141)	–	(2 141)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>224 714</b>	<b>(64 592)</b>	<b>289 306</b>
Loss attributable to other non-controlling interests	180	–	180
Profit attributable to Asset Management non-controlling interests	(11 807)	–	(11 807)
<b>Operating profit/(loss) before taxation</b>	<b>213 087</b>	<b>(64 592)</b>	<b>277 679</b>
Taxation	(39 144)	11 239*	(50 383)
<b>Attributable earnings before goodwill, acquired intangibles and non-operating items</b>	<b>173 943</b>	<b>(53 353)</b>	<b>227 296</b>
Cost to income ratio	77.0%		76.2%

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

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

For the year to 31 March 2018 £'000	Removal of:		Specialist Banking ongoing business
	Specialist Banking statutory as disclosed <sup>^</sup>	UK legacy business	
Net interest income	332 157	297	331 860
Net fee and commission income	197 797	(7)	197 804
Investment income	58 117	326	57 791
Share of post tax operating profit	1 020	–	1 020
Trading income arising from:			
– customer flow	113 370	(18)	113 388
– balance sheet management and other trading activities	3 127	19	3 108
Other operating income	8 055	77	7 978
<b>Total operating income before impairment losses on loans and advances</b>	<b>713 643</b>	<b>694</b>	<b>712 949</b>
Impairment losses on loans and advances	(106 085)	(84 666)	(21 419)
<b>Operating income</b>	<b>607 558</b>	<b>(83 972)</b>	<b>691 530</b>
Operating costs	(546 934)	(9 530)	(537 404)
Depreciation on operating leased assets	(2 350)	–	(2 350)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>58 274</b>	<b>(93 502)</b>	<b>151 776</b>
Loss attributable to other non-controlling interests	1 684	–	1 684
<b>Operating profit/(loss) before taxation</b>	<b>59 958</b>	<b>(93 502)</b>	<b>153 460</b>

<sup>^</sup> 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 2017 £'000	Removal of:		Specialist Banking ongoing business
	Specialist Banking statutory as disclosed <sup>^</sup>	UK legacy 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
<b>Total operating income before impairment losses on loans and advances</b>	<b>713 364</b>	<b>321</b>	<b>713 043</b>
Impairment losses on loans and advances	(74 956)	(54 305)	(20 651)
<b>Operating income</b>	<b>638 408</b>	<b>(53 984)</b>	<b>692 392</b>
Operating costs	(531 843)	(10 608)	(521 235)
Depreciation on operating leased assets	(2 141)	–	(2 141)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>104 424</b>	<b>(64 592)</b>	<b>169 016</b>
Loss attributable to other non-controlling interests	180	–	180
<b>Operating profit/(loss) before taxation</b>	<b>104 604</b>	<b>(64 592)</b>	<b>169 196</b>

<sup>^</sup> 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	2018	2017	% change
Asset Management	103 918	91 263	13.9%
Wealth & Investment	69 270	65 190	6.3%
Specialist Banking	153 460	169 196	(9.3%)
	<b>326 648</b>	<b>325 649</b>	<b>0.3%</b>
Group costs	(33 789)	(36 163)	6.6%
<b>Total group</b>	<b>292 859</b>	<b>289 486</b>	<b>1.2%</b>

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

For the year to 31 March £'000	2018	2017	% change
Total ongoing Specialist Banking per above	153 460	169 196	(9.3%)
UK legacy remaining	(93 502)	(64 592)	(44.8%)
<b>Total Specialist Banking per statutory accounts</b>	<b>59 958</b>	<b>104 604</b>	<b>(42.7%)</b>

## Ongoing information

(continued)

### Ongoing segmental business analysis – summarised income statement

For the year to 31 March 2018 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	242	5 181	331 860	–	337 283
Net fee and commission income	355 230	296 907	197 804	–	849 941
Investment income	(47)	10 446	57 791	–	68 190
Share of post tax profit of associate	–	416	1 020	–	1 436
Trading income arising from:					
– customer flow	–	1 032	113 388	–	114 420
– balance sheet management and other trading activities	(5 189)	(7)	3 108	–	(2 088)
Other operating income	2 131	235	7 978	–	10 344
<b>Total operating income before impairment losses on loans and advances</b>	<b>352 367</b>	<b>314 210</b>	<b>712 949</b>	<b>–</b>	<b>1 379 526</b>
Impairment losses on loans and advances	–	–	(21 419)	–	(21 419)
<b>Operating income</b>	<b>352 367</b>	<b>314 210</b>	<b>691 530</b>	<b>–</b>	<b>1 358 107</b>
Operating costs	(248 449)	(244 940)	(537 404)	(33 789)	(1 064 582)
Depreciation on operating leased assets	–	–	(2 350)	–	(2 350)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>103 918</b>	<b>69 270</b>	<b>151 776</b>	<b>(33 789)</b>	<b>291 175</b>
Loss attributable to other non-controlling interests	–	–	1 684	–	1 684
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after other non-controlling interests</b>	<b>103 918</b>	<b>69 270</b>	<b>153 460</b>	<b>(33 789)</b>	<b>292 859</b>
Profit attributable to Asset Management non-controlling interests	(14 762)	–	–	–	(14 762)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after non-controlling interests</b>	<b>89 156</b>	<b>69 270</b>	<b>153 460</b>	<b>(33 789)</b>	<b>278 097</b>
Cost to income ratio	70.5%	78.0%	75.6%	n/a	77.3%

## 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 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
<b>Total operating income before impairment losses on loans and advances</b>	<b>316 729</b>	<b>276 848</b>	<b>713 043</b>	<b>–</b>	<b>1 306 620</b>
Impairment losses on loans and advances	–	–	(20 651)	–	(20 651)
<b>Operating income</b>	<b>316 729</b>	<b>276 848</b>	<b>692 392</b>	<b>–</b>	<b>1 285 969</b>
Operating costs	(225 466)	(211 658)	(521 235)	(36 163)	(994 522)
Depreciation on operating leased assets	–	–	(2 141)	–	(2 141)
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items</b>	<b>91 263</b>	<b>65 190</b>	<b>169 016</b>	<b>(36 163)</b>	<b>289 306</b>
Loss attributable to other non-controlling interests	–	–	180	–	180
<b>Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after other non-controlling interests</b>	<b>91 263</b>	<b>65 190</b>	<b>169 196</b>	<b>(36 163)</b>	<b>289 486</b>
Profit attributable to Asset Management non-controlling interests	(11 807)	–	–	–	(11 807)
<b>Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests</b>	<b>79 456</b>	<b>65 190</b>	<b>169 196</b>	<b>(36 163)</b>	<b>277 679</b>
Cost to income ratio	71.2%	76.5%	73.3%	n/a	76.2%

## Ongoing information

(continued)

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

£'000	31 March 2018	31 March 2017
<b>Gross core loans and advances to customers</b>	<b>9 412 611</b>	<b>8 169 901</b>
<b>Total impairments</b>	<b>(38 434)</b>	<b>(25 356)</b>
Specific impairments	(37 357)	(12 393)
Portfolio impairments	(1 077)	(12 963)
<b>Net core loans and advances to customers</b>	<b>9 374 177</b>	<b>8 144 545</b>
<b>Average gross core loans and advances to customers</b>	<b>8 791 256</b>	<b>7 706 123</b>
<b>Total income statement charge for impairments on core loans and advances</b>	<b>(21 198)</b>	<b>(20 690)</b>
Gross default loans and advances to customers	157 203	34 166
Specific impairments	(37 357)	(12 393)
Portfolio impairments	(1 077)	(12 963)
<b>Defaults net of impairments before collateral held</b>	<b>118 769</b>	<b>8 810</b>
Collateral and other credit enhancements	130 498	25 948
<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	0.41%	0.31%
Total impairments as a % of gross default loans	24.45%	74.21%
Gross defaults as a % of gross core loans and advances to customers	1.67%	0.42%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.27%	0.11%
Net defaults as a % of net core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.24%	0.27%

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

£'000	Removal of:		Ongoing business
	Statutory as disclosed	UK legacy	
<b>31 March 2018</b>			
<b>Gross core loans and advances to customers</b>	<b>9 839 064</b>	<b>426 453</b>	<b>9 412 611</b>
<b>Total impairments</b>	<b>(151 840)</b>	<b>(113 406)</b>	<b>(38 434)</b>
Specific impairments	(89 863)	(52 506)	(37 357)
Portfolio impairments	(61 977)	(60 900)	(1 077)
<b>Net core loans and advances to customers</b>	<b>9 687 224</b>	<b>313 047</b>	<b>9 374 177</b>
<b>31 March 2017</b>			
<b>Gross core loans and advances to customers</b>	<b>8 747 618</b>	<b>577 717</b>	<b>8 169 901</b>
<b>Total impairments</b>	<b>(126 876)</b>	<b>(101 520)</b>	<b>(25 356)</b>
Specific impairments	(83 488)	(71 095)	(12 393)
Portfolio impairments	(43 388)	(30 425)	(12 963)
<b>Net core loans and advances to customers</b>	<b>8 620 742</b>	<b>476 197</b>	<b>8 144 545</b>



## The legacy business in the UK Specialist Bank comprises:

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

## Legacy business – overview of results

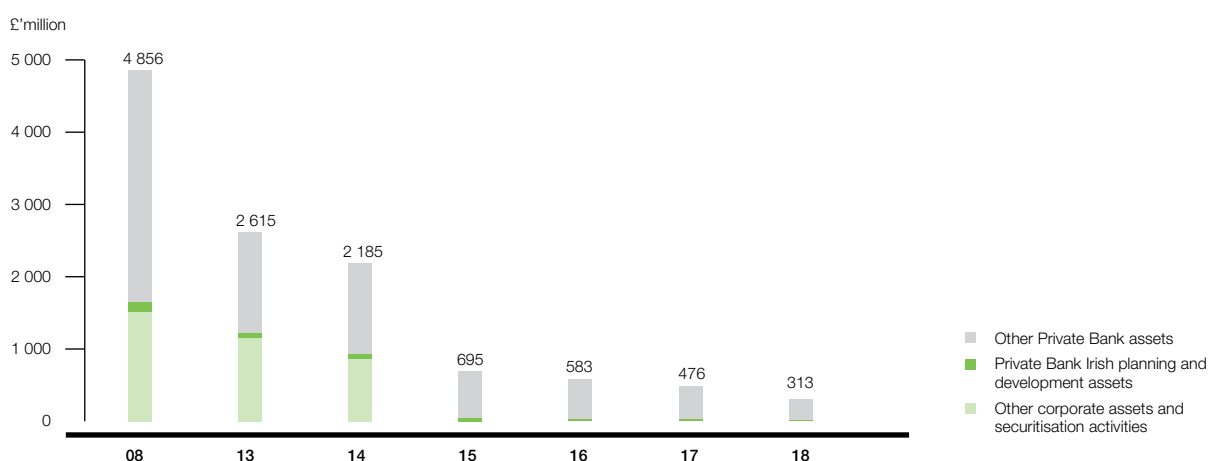
Since 31 March 2017 the group's legacy portfolio in the UK has continued to be actively managed down from £476 million to £313 million through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £93.5 million (2017: £64.6 million) reflecting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

## An analysis of assets within the legacy business

£'000	31 March 2018 Total net assets (after impairments)	31 March 2018 Total balance sheet impairment	31 March 2017 Total net assets (after impairments)	31 March 2017 Total balance sheet impairment
Private Bank Irish planning and development assets	12	1	18	9
Other Private Bank assets	301	112	458	93
<b>Total legacy assets</b>	<b>313</b>	<b>113</b>	<b>476</b>	<b>102</b>
Performing	223	–	351	–
Non-performing	90	113*	125	102*

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

## Total UK legacy assets



## Risk management

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

At 31 March £'000	2018	2017
<b>Gross core loans and advances to customers</b>	<b>9 839 064</b>	<b>8 747 618</b>
<b>Total impairments</b>	<b>(151 840)</b>	<b>(126 876)</b>
Specific impairments	(89 863)	(83 488)
Portfolio impairments	(61 977)	(43 388)
<b>Net core loans and advances to customers</b>	<b>9 687 224</b>	<b>8 620 742</b>
<b>Average gross core loans and advances to customers</b>	<b>9 293 341</b>	<b>8 347 205</b>
Current loans and advances to customers	9 401 028	8 416 683
Past due loans and advances to customers (1 – 60 days)	40 315	48 003
Special mention loans and advances to customers (1 – 90 days)	37 085	22 585
Default loans and advances to customers	360 636	260 347
<b>Gross core loans and advances to customers</b>	<b>9 839 064</b>	<b>8 747 618</b>
Current loans and advances to customers	9 401 028	8 416 683
Default loans that are current and not impaired	50 224	6 993
Gross core loans and advances to customers that are past due but not impaired	135 830	105 645
Gross core loans and advances to customers that are impaired	251 982	218 297
<b>Gross core loans and advances to customers</b>	<b>9 839 064</b>	<b>8 747 618</b>
<b>Total income statement charge for impairments on core loans and advances</b>	<b>(105 864)</b>	<b>(74 995)</b>
Gross default loans and advances to customers	360 636	260 347
Specific impairments	(89 863)	(83 488)
Portfolio impairments	(61 977)	(43 388)
<b>Defaults net of impairments</b>	<b>208 796</b>	<b>133 471</b>
Aggregate collateral and other credit enhancements on defaults	291 834	192 760
<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	1.54%	1.45%
Total impairments as a % of gross default loans	42.10%	48.73%
Gross defaults as a % of gross core loans and advances to customers	3.67%	2.98%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.16%	1.55%
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)	1.14%	0.90%

## An analysis of core loans and advances by risk category at 31 March 2018

£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impairments	Income statement impairments <sup>^</sup>
<b>Lending collateralised by property</b>	<b>1 988 385</b>	<b>248 008</b>	<b>207 059</b>	<b>(54 089)</b>	<b>(56 048)</b>
<b>Commercial real estate</b>	<b>1 149 140</b>	<b>74 714</b>	<b>43 681</b>	<b>(31 060)</b>	<b>(29 235)</b>
Commercial real estate – investment	953 388	48 495	35 199	(13 296)	(22 442)
Commercial real estate – development	140 222	–	–	–	–
Commercial vacant land and planning	55 530	26 219	8 482	(17 764)	(6 793)
<b>Residential real estate</b>	<b>839 245</b>	<b>173 294</b>	<b>163 378</b>	<b>(23 029)</b>	<b>(26 813)</b>
Residential real estate – investment	243 675	46 937	42 205	(5 880)	(15 918)
Residential real estate – development	524 893	97 475	90 151	(10 813)	(5 865)
Residential vacant land and planning	70 677	28 882	31 022	(6 336)	(5 030)
<b>High net worth and other private client lending</b>	<b>1 918 168</b>	<b>11 186</b>	<b>13 277</b>	<b>(4 736)</b>	<b>(3 185)</b>
Mortgages	1 481 355	6 601	10 069	(1 856)	(130)
High net worth and specialised lending	436 813	4 585	3 208	(2 880)	(3 055)
<b>Corporate and other lending</b>	<b>5 932 511</b>	<b>101 442</b>	<b>71 498</b>	<b>(31 038)</b>	<b>(26 498)</b>
Corporate and acquisition finance	1 534 815	18 102	14 202	(4 000)	(3 983)
Asset-based lending	354 872	–	–	–	–
Fund finance	1 030 450	–	–	–	–
Other corporates and financial institutions and governments	650 312	–	–	–	(61)
Asset finance	1 872 821	79 272	53 589	(26 677)	(25 436)
Small ticket asset finance	1 386 610	15 177	6 320	(8 857)	(7 616)
Large ticket asset finance	486 211	64 095	47 269	(17 820)	(17 820)
Project finance	483 788	4 068	3 707	(361)	2 982
Resource finance	5 453	–	–	–	–
<b>Portfolio impairments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(61 977)</b>	<b>(20 133)</b>
<b>Total</b>	<b>9 839 064</b>	<b>360 636</b>	<b>291 834</b>	<b>(151 840)</b>	<b>(105 864)</b>

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

## Risk management

(continued)

### 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 <sup>^</sup>
<b>Lending collateralised by property</b>	<b>1 963 754</b>	<b>227 515</b>	<b>167 972</b>	<b>(70 633)</b>	<b>(45 114)</b>
<b>Commercial real estate</b>	<b>1 190 836</b>	<b>80 987</b>	<b>48 998</b>	<b>(31 989)</b>	<b>(21 748)</b>
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)
<b>Residential real estate</b>	<b>772 918</b>	<b>146 528</b>	<b>118 974</b>	<b>(38 644)</b>	<b>(23 366)</b>
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)
<b>High net worth and other private client lending</b>	<b>1 598 801</b>	<b>18 458</b>	<b>17 139</b>	<b>(6 130)</b>	<b>(1 928)</b>
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)
<b>Corporate and other lending</b>	<b>5 185 063</b>	<b>14 374</b>	<b>7 649</b>	<b>(6 725)</b>	<b>(5 965)</b>
Corporate and 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
<b>Portfolio impairments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(43 388)</b>	<b>(21 988)</b>
<b>Total</b>	<b>8 747 618</b>	<b>260 347</b>	<b>192 760</b>	<b>(126 876)</b>	<b>(74 995)</b>

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

## Capital structure and capital adequacy

£'million	31 March* 2018	31 March 2017
<b>Tier 1 capital</b>		
Shareholders' equity	1 977	1 921
Shareholders' equity excluding non-controlling interests	2 075	2 017
Foreseeable charges and dividends	(65)	(60)
Perpetual preference share capital and share premium	(25)	(25)
Deconsolidation of special purpose entities	(8)	(11)
Non-controlling interests	12	11
Non-controlling interests per balance sheet	16	15
Surplus non-controlling interest disallowed in common equity tier 1	(4)	(4)
Regulatory adjustments to the accounting basis	(7)	(6)
Defined benefit pension fund adjustment	(3)	(2)
Additional value adjustments	(4)	(4)
Deductions	(460)	(478)
Goodwill and intangible assets net of deferred taxation	(447)	(464)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(9)	(10)
Securitisation positions	(3)	(3)
Debt valuation adjustment	(1)	(1)
<b>Common equity tier 1 capital</b>	<b>1 522</b>	<b>1 448</b>
<b>Additional tier 1 capital</b>	<b>274</b>	<b>24</b>
Additional tier 1 instruments	274	24
<b>Total tier 1 capital</b>	<b>1 796</b>	<b>1 472</b>
<b>Tier 2 capital</b>	<b>359</b>	<b>475</b>
Tier 2 instruments	446	560
Non-qualifying surplus capital attributable to non-controlling interests	(87)	(85)
<b>Total regulatory capital</b>	<b>2 155</b>	<b>1 947</b>
<b>Risk-weighted assets</b>	<b>14 411</b>	<b>13 312</b>
<b>Capital ratios</b>		
Common equity tier 1 ratio	10.6%	10.9%
Tier 1 ratio	12.5%	11.1%
Total capital ratio	15.0%	14.6%

\* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating common equity tier 1 (CET1) capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital disclosures included in Investec's 2018 and 2017 Integrated Annual Report, which follows our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc's CET1 ratio would be 45bps (2017: 45bps) higher on this basis.

## Capital adequacy

(continued)

### Capital requirements

£'million	31 March 2018	31 March 2017
<b>Capital requirements</b>	<b>1 153</b>	<b>1 064</b>
Credit risk	842	790
Equity risk	6	6
Counterparty credit risk	51	39
Credit valuation adjustment risk	10	6
Market risk	77	71
Operational risk	167	152
<b>Risk-weighted assets (banking and trading)</b>	<b>14 411</b>	<b>13 312</b>
Credit risk	10 521	9 873
Equity risk	78	80
Counterparty credit risk	639	494
Credit valuation adjustment risk	121	78
Market risk	965	882
Operational risk	2 087	1 905

### Leverage

	31 March 2018	31 March 2017
<b>Exposure measure</b>	<b>21 772</b>	<b>19 689</b>
Tier 1 capital	1 796	1 472
<b>Leverage ratio** – current</b>	<b>8.2%</b>	<b>7.5%</b>
Tier 1 capital fully loaded	1 772	1 448
<b>Leverage ratio** – 'fully loaded'^^</b>	<b>8.1%</b>	<b>7.4%</b>

### A summary of capital adequacy and leverage ratios

	31 March* 2018	31 March 2017
Common equity tier 1 (as reported)	10.6%	10.9%
Common equity tier 1 ('fully loaded')^^	10.6%	10.9%
Tier 1 (as reported)	12.5%	11.1%
Total capital adequacy ratio (as reported)	15.0%	14.6%
Leverage ratio** – current	8.2%	7.5%
Leverage ratio** – ('fully loaded')^^	8.1%	7.4%
Leverage ratio – current UK leverage ratio framework^^^	9.8%	8.7%

\* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital disclosures included in Investec's 2018 and 2017 Integrated Annual Report, which follows our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc's CET1 ratio would be 45bps (2017: 45bps) higher on this basis.

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

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

^^^ Investec plc is not subject to the UK leverage ratio framework, however, due to recent changes to the UK leverage ratio framework to exclude from the calculation of the total exposure measure those assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity, this has been included for comparative purposes.

The full set of annual financial statements will be available on 30 June 2018.